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**An Extension of Nineteenth Century Political Economy
through Consideration of Capitalism as a World Economy:
The Case of Karl Marx**

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Thesis submitted for the degree of PhD

2016

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Declaration for SOAS PhD thesis

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Abstract

In the recent debate around ‘globalisation’, and in relation to the development of capitalism on a world scale in general, Karl Marx has attracted enormous attention. It is true that he was particularly interested in the global character of capitalism. But he left a number of comments on it in many different occasions without organising them systematically and, therefore, commentators have interpreted Marx’s attitude towards it in a variety of ways according to their points of reference.

Against this background, this thesis has two distinct purposes. The first part of this thesis traces Marx’s intellectual development and his changing thought on the globality of capitalism. To be shown is that as his main interest moved from philosophy and politics to political economy, and as his approach to political economy became more sophisticated over time, the meaning of globality and its place in his overall thought changed. Especially after what we call the ‘methodological sophistication’ around the time he wrote the *Grundrisse* in 1857-58, it is apparent that, grasping the globality of capitalism in the concept of the world market, he was planning to deal with it as a crucial moment in the reproduction of the capitalist world economy.

The latter part of the thesis is devoted to presenting a possible realisation of Marx’s unfinished plan. Of course, this is to extend Marx’s value theory in his *Capital* by introducing the world market as a new theoretical category. This is necessarily concerned with a critique of the existing theories, mainstream or Marxist, of the international economic relations under capitalism. Our conclusion suggests that, unlike the significance the younger Marx attached to the globality of capitalism, the global development of capitalism present in his more mature thought tends to expose the fetishism of capitalism even further.

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This thesis is dedicated to Prof. Soohaeng Kim. He was my tutor at Seoul National University, South Korea. It was he who first encouraged me to study in Britain, introduced me to Ben, and essentially made my PhD study possible by writing great letters of recommendation for me, and giving me the very initial financial support. I would regret for my remaining life that I failed to show him this thesis in bound form before his sudden death in the summer of 2015.

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CHAPTER ONE INTRODUCTION

1.1. MOTIVATIONS AND MAIN QUESTIONS

Put most briefly, this thesis is about Karl Marx's thought on the meaning of the 'world'. Then, why the 'world market'? This is simply because he captured the globality of capitalism with this concept. So, how that happened, and what he did, or wanted to do with it are the main questions to be answered.

Indeed, the globality of capitalism is a subject that has seen the most active and abundant development within Marxist political economy after Marx's death. The first step was taken by the generation of European Marxists who were instrumental in the Second International, and they eventually produced what later came to be called the 'classical' theories of imperialism. After WWII, new approaches were developed reflecting the new aspects of IERs such as dependency theory, world-systems theory, theories of US economic and political hegemony, and other theories concerning transnational corporations as the new agents of international economic relations. Around the mid-1980s when the crisis of the 'really existing socialism' became obvious, the critical and explanatory power of Marxist theories of IERs began to decline. Indeed, the economic rise of the non-European NICs — first Japan, and then the Four Dragons of East Asia — appeared the evidence disproving the relevance of Marxist theories. But Marxist approaches revived in the 'globalisation' debate around the mid-1990s, and Marx is now praised as one of the first thinkers who took the globality of capitalism seriously.

Then, ironically enough, Marx has *always* been regarded as important intellectual resources in clarifying capitalist international economic relations in spite of changing contours of the world economy from the late-19th century onwards. This means that Marx's thought on the globality of capitalism can be interpreted in a variety of ways. To a degree, it is Marx himself who occasioned such ambiguity, for although he made a number of commentaries on the issue in his personal correspondence, public addresses and newspaper columns, he had never delivered any ultimate, or systematic argument on the globality of capitalism.

This emptiness is the main motivation of this thesis. Instead of trying to find out decisive commentaries on our subject, if any, from the heaps of his previously unavailable manuscripts, it seeks to elucidate Marx's thought on the globality of capitalism by locating it in three contexts: his life-long intellectual development, the intellectual history of modern Europe, and real history. First of all, it needs to be considered in the dimension of his life-long intellectual development. Marx lived a life as a public intellectual for over 40 years from his mid-20s when he had started writing for the *Rheinische Zeitung* to the 'mature' years when he produced *Capital*. It is natural to suppose that there was one or more 'epistemological breaks' in his way of regarding society as the object of study; his thought about globality would have changed accordingly. Moreover, the significance of Marx's varying thought would be further clarified, and enriched, when placed against the background of the relevant West European intellectual history of the globality of the modern world. Lastly, real historical development also needs to be considered. But we, in this thesis, deal with it as far as it makes up the ultimate landscape in which the intellectual development both of Marx and more broadly takes place.

The consideration of the broader intellectual backgrounds is of critical importance in our discussion. For this will illuminate how Marx followed his predecessors, where he departed from them, and what significance it bore. More than anything else, the uniqueness of Marx's thought on the globality of modern society lies in the fact that he, regarding the globality as a constituent category of the capitalist economy, tried to incorporate it in his system of value theory, though successful. The latter part of this thesis is devoted to presenting a possible realisation of Marx's theory of international economic relations. In retrospect, it is conventional within Marxist scholarship to deal with this theme in relation to Marx's notorious 'Plan' (see Rosdolsky 1968). Instead, we seek to locate it in the broader context where the political economists in his time conceptualised capitalist international economic relations. This approach is advantageous, not least considering that Marx's value theory was presented as a *critique* of political economy.

In the end, the main motivating and guiding questions of this thesis include:

- How and against what background did Marx try to conceptualise the world market?

- What place does the discussion about the world market occupy in his overall theoretical engagement with modern society? Does it change? If so, how?
- How can Marx's thought on the globality of capitalism be incorporated in his value theory? Especially in respect of the critique of political economy, what critical argument does it make against the existing body of discussions on the same theme within political economy?

1.2. OUTLINE OF THE THESIS

This thesis is composed of two parts. **Part I** ('Marx's Political Economy and the World Market') traces Marx's intellectual development and his changing thought on the globality of capitalism. In order to highlight the peculiarities of Marx's thought, it is placed against the relevant broader intellectual background in each chapter. To be shown is that as his main interest moved from philosophy and politics to political economy, and as his approach to political economy became more sophisticated over time, the meaning of globality and its place in his overall thought changed. Especially after what we call the 'methodological sophistication' around the time he wrote the *Grundrisse* in 1857-58, it is apparent that, grasping the globality of capitalism in the concept of the world market, Marx was planning to deal with it as a crucial moment in the reproduction of the capitalist world economy.

To begin with, **Chapter 2** examines early stages in the development of Marx's thinking that amounted to the 'turn' to political economy around the mid-1840s. At first sight, this development appears to be changes in the field of interest from religion to reality, and then, from politics and jurisprudence to political economy. But these changes also involved a transformation of the way to look at society as the object of study. It will be shown, in § 2.1, that the main force that drives Marx's early intellectual odyssey may be said to be *a quest for the real and the material* in social processes, and his 'turn' to political economy marks a culmination of this 'quest'.

In § 2.2, the significance of Marx's turn to political economy is expounded in his changing attitude towards the *problématique* of 'alienation'. At first, Marx tried to lay bare the material basis of the Hegelian idealised concept of alienation, and to transform it materialistically; in doing so, he counted upon the political economy analysis of some key categories. However, as his quest for the real and the material proceeded, he at last dissolved the *problématique* of alienation which was philosophical in nature, and more focused upon the material conditions of modern society which necessarily produced the so-called alienation. Now, political economy acquired the opportunity of being appropriated more positively. Further, it is to be noted in this section that almost at the same time with his arrival at political economy, Marx began to be deeply impressed by the rapid development of the world market, precisely because it appeared to him to epitomise what Hegel had tried to address using the ideal concept of the state.

Even after his full engagement with political economy, his attitude towards it showed further evolution. Of course, Marx's ultimate intention was from the outset, and always, to criticise political economy. But, as long as political economy was the self-understanding of modern civil society, his way of engaging with it was necessarily dependent upon which aspect of society as the object of study he emphasised. In **Chapter 3**, the relationship between Marx's *problématique* on society and the significance of political economy is investigated. Marx's consistent thought on society is that it is as good as a living organism, which has two distinct meanings: change and self-reproduction. In his early years, he emphasised the historical character of modern society against his Hegelian compatriots who tried to idealise it and, in doing so, wanted to secure the legitimacy and possibility to overcome the modern conditions. Here, according to Marx, political economy was superior to philosophy and jurisprudence in that it directly concerned the material basis of modern society, but was in the end to be abolished since it shared the fundamental presupposition of private property with modern society. It is in this sense that political economy was the destination of Marx's early intellectual journey.

However, as Marx's approach to political economy became more sophisticated over time, his main interest as for modern society moved from its historical dissolution to

its contradiction-ridden structural reproduction. Now he found himself obliged to make up his own political economy in detail and, with this, criticised the existing system of political economy for being incapable of grasping the contradictory aspect of every single moment in the reproduction of the capitalist economy. Such a transformation of the way Marx engaged himself with political economy is termed in this thesis the ‘methodological sophistication’ (§ 3.2). It means that Marx’s understanding of political economy became deeper, and his critique immanent. To show this, the development of political economy before Marx is to be outlined in § 3.1.

Chapter 4 is devoted to showing how Marx’s way of conceptualising the world market changed as a result of the ‘methodological sophistication’ in his overall approach to political economy. Indeed, the globality of the modern world was a popular theme for some 18th century European social thinkers, and Marx’s early thought on it could be interpreted in that tradition. In § 4.1, the general intellectual context concerning the world market will be expounded. It will be demonstrated that, by the latter half of the 18th century, West European thinkers of the modern began to deal with the global material movement of the modern world seriously, and conceive ‘globality’ as a decisive property of modern society which distinguished it from other forms of society. Although such a thinking of the globality of modern society was eventually accommodated into nationalist discourses in the 19th century, it is true that Marx was heavily indebted to that tradition.

In the second section, two concepts of Marx’s world market will be identified distinctly. Firstly, the world market is represented both as the historical entity and the concept into which the latest developmental phase of the material dynamics of modern society is aggregated and summarised. That is, he regarded the radical expansion of human relationship made possible thanks to the globality of the modern economy as an essential condition for human emancipation and the conquest of the modern limitations. However, after the ‘methodological sophistication’, the globality came to be captured in the economic concept of the world market, as a category which made up the capitalist world economy, and as something continuously reproduced in the operation of the whole system. Not only did it mark the excellence

of Marx *vis-à-vis* his preceding thinkers of the global, but also meant that the globality of capitalism could be analysed in his mature theory of value.

Part II ('Value Theory and the World Market') of the thesis is devoted to presenting a possible realisation of Marx's unfinished plan. Of course, this is to extend Marx's value theory in his *Capital* by introducing the world market as a new theoretical category. This is necessarily concerned with a critique of the existing theories, mainstream or Marxist, of the international economic relations under capitalism. Our conclusion suggests that, unlike the significance the younger Marx attached to the globality of capitalism, the global development of capitalism present in his more mature thought tends to expose the fetishism of capitalism even further.

To perform the above task properly, it is necessary to expose some important characteristics of Marx's value theory to a certain degree, which is the subject matter of **Chapter 5**. Here, the inner structure of the existing body of Marx's value theory is investigated. Especially, since value theory is not only a structural and logical reconstruction of the capitalist economy, but also an immanent critique of 'bourgeois' political economy, it is crucial in introducing a new category to extend such a critical drive consistently. Firstly, § 5.1 seeks to spell out the characteristics of Marx's critique by clarifying the multi-dimensionality of Marx's critique, and shows that the fact that his value theory is a critique of political economy determines the content, principal tasks, and process of his theory building. This suggests that, to maintain consistency in extending Marx's value theory, it is crucial to bear in mind what are the critical points to address in the new theoretical terrain.

The second section (§ 5.2) traces Marx's radically varying attitude toward dialectics over his intellectual life: how did his initial hate turn into a fully-fledged acceptance? Here, we challenge the conventional knowledge that his dialectical method was one of presentation, by demonstrating that Marx's dialectics was first and foremost about thinking rather than presentation, and that his problem in presentation was basically about exposing his superiority in thinking, esp. *vis-à-vis* the Hegelians, at the dimension of presentation, not about securing the so-called (autonomous) inner

‘logic’ of presentation itself. Also emphasised is how Marx understood the limitations that dialectical method in thinking necessarily implied, and how he sought to complement them.

Chapter 6 concerns the eventual extension of value theory. Since Marx’s value theory is a critique of political economy, its extension with the world market as a new category can be performed only based upon the equivalent discussions put forward within conventional political economy. In the first section, the way capitalist international economic relations (IERs) are conceptualised in economics is chronicled from the mercantile school to neoclassical economics. To characterise this way, we define the Ricardian framework. Those who observe IERs in this framework tend to reduce the myriad of forms of IERs to a barter relation between national economies. Here, nations are made to maximise their benefits by determining whether to produce a commodity themselves or to import it. Within this framework, it may be always possible to prove that a relations is mutually beneficial, but it is hardly sufficient to address the dynamics of IERs.

The second section (§ 6.2) is devoted to composing a theory of IERs based upon Marx’s value theory by taking the world market as a new category. Here, it is very important to maintain his critical perspective on conventional political economy, for the analytical directions and themes are determined by the critical case he wanted to make against political economy (see § 5.1.3). As a result, it is crucial to extend value theory in two ways, analytical and critical, and to show how the analytical conclusions serve to illuminate the critical points.

Chapter 7 summarises the whole thesis, and discusses its limitations presenting some directions for future research.

PART I

DEVELOPMENT OF MARX'S POLITICAL ECONOMY AND HIS CONCEPTUALISATION OF THE WORLD MARKET

CHAPTER TWO

MARX'S POLITICAL ECONOMY IN THE CONTEXT OF HIS EARLY INTELLECTUAL DEVELOPMENT

In this chapter, early stages in the development of Marx's thinking that at last amounted to the 'turn' to political economy will be traced. However, this is never a chronological or bibliographical examination nor an exhaustive study of his early development in general. Rather, the main purpose of this chapter is confined to clarifying the main features of Marx's theoretical motivations compared with those of Hegel and his Young Hegelian contemporaries. It will be shown, moreover, that the main force that drives the development may be said to be *a quest for the real and the material* in social processes, and his 'turn' to political economy marks a culmination of this 'quest'.

The first section is concerned with the structural features observed in the development of Marx's early thinking. This development, more than anything else, appears as changes in the field of interest; that is, from religion to reality, and then, from politics and jurisprudence to political economy. But, as will be shown, these changes also involve philosophical or methodological transformations; this is why Marx's early development should be understood as *a process of successive sublation*, where 'sublation' contains both the meanings of retention (of the positive) and abolition (of the negative) as does the original German word for it, *Aufhebung*.

In the next section, a more detailed exposition of the 'turn' to political economy is to be attempted with reference to the problem of alienation. While Marx's 'turn' begins with his conceptualisation of alienation, this concept will eventually lead to the deconstruction of the *problématique* of alienation altogether, completing his 'turn' to political economy. Moreover, just at the same time both with the deconstruction and the completion, Marx begins to consider seriously the category of *world market*, the main object of interest of this thesis.

2.1. THE DISCOVERY OF POLITICAL ECONOMY

During the first half of the 1840s, the basic framework of Marx's thinking was formed, and this process was so dynamic that it often accompanied fundamental changes. These changes at first sight appear just ones in the field of interest but, to understand the significance of the changes, one has to consider the fundamental forces that brought them about; i.e. they were the result of the complex workings of fundamental factors such as the development of the intellectual discussions at that time, social circumstances as well as Marx's own personal experience.

2.1.1. Marx's Declaration

It looks a bit strange that Marx started one of his first serious theoretical articles, 'A Contribution to the Critique of Hegel's *Philosophy of Right*. Introduction' ('Introduction', hereafter) published in the short-lived journal, founded by Marx and Arnold Ruge, *Deutsch-Fransösische Jahrbücher* in February 1844, by saying:

For Germany, the *criticism of religion* has been essentially completed, and the criticism of religion is the prerequisite of all criticism. (Introduction: 243)

For he had never performed his own criticism of religion before then (nor after). So, in order to make this avowed 'declaration' understood fully, one is required to situate it in broader context.

In the first place, the intellectual circumstances at that time are to be considered. Well before Hegel's death in 1831, his philosophy had already become hegemonic among German thinkers and, not surprisingly, disagreements appeared in the Hegelian School — small and big — in interpreting the Master's theory after his death. It was the publication of David Friedrich Strauss's *The Life of Jesus* [*Das Leben Jesu*] in 1835 that publicised the internal conflicts. In the course of the consequent discussion over this book, a group of people were identified, by others and themselves, to be 'the Young Hegelians',¹ and they continued religious criticism more radically based upon

¹ For details on the debate and division of the Hegelian School, see Lawler (1986). Brief expositions are also to be found in Brazill (1970: Introduction) and McLellan (1969: 1-9).

the Hegelian philosophy as they interpreted it, which in turn made them more and more distinguished from the other groups. It was during this discussion that Bruno Bauer changed his identity from an advocate of the Orthodox Hegelianism to a radical interpreter of Hegel, and that Ludwig Feuerbach presented a series of critical contributions that some researchers later thought influenced Marx so much.²

Secondly, the political atmosphere in Germany in the 1830s and 1840s is important. The Prussian Government under King Frederick William III in the 1830s was in principle reformist but not enough to satisfy radical democratic intellectuals. Indeed, the Government often interrupted even academic debates, and tried to set their boundaries (Brazill 1970: 83-94). Intellectuals were allowed to discuss only religious matters and, under such circumstances, dissatisfaction on the part of young radical intellectuals piled up. In this respect, the split of the Hegelian School and the confrontation between different parties were not simply theoretical or religious but also political matters. While the difference between the two main parties of Hegelianism was due to the ambivalence of Hegel's theory in itself, their different interpretations of the Master was in part influenced by their different political perspectives. More than anything else, this difference was most strikingly shown in their understanding of the proposition of *the unity of idea and reality in the state* which is central to Hegel's political philosophy;³ paraphrasing Hegel's famous dictum that the real is rational and the rational is real,⁴ Isaiah Berlin once wittily expressed the difference in political perspectives between the Old and the Young Hegelians as follows:⁵

The conservatives, proclaiming that *only the real was rational*, declared that the measures of rationality was actuality, or capacity for survival — that the stage

² Among others, Engels (1886) and Althusser's essays on 'Feuerbach's 'Philosophical Manifestoes'' (Althusser 1963: 43-8) are remarkable.

³ Harold Mah (1987) describes the development of the thoughts of some Young Hegelians in terms of the prospect for this 'unity' and its break.

⁴ See the 'Preface' to *Philosophy of Right*.

⁵ 'Hegel should not be blamed for describing the essence of the modern state as it is, but for identifying what is with the *essence of the state*. That the rational is real is *contradicted* by the *irrational reality* which at every point shows itself to be the opposite of what it asserts, and to assert the opposite of what it is' (Critique: 127).

reached by social or personal institution, as they existed at any given moment, was the sufficient measure of their excellence. . .

The radicals, stressing the converse, protested that *only the rational was real*. The actual, they insisted, is often full of inconsistencies, anachronisms and blind unreason: it cannot therefore be regarded in any genuine, that is metaphysical, sense as being real. (Berlin 1978: 48-9. My italics.)

The reactionary atmosphere in Prussia reached its height with the accession of Frederick William IV to the Prussian throne in the year of 1840. The sincere Christian King, who had been deemed liberal before his accession and so attracted a good deal of hope from liberals and radicals, turned out to be a suppressor of Hegelianism as a whole. The Young Hegelians, whose ideas were especially considered radical in itself and offensive to the regime not simply theoretically but also politically and practically, were the main victims. Strict and arbitrary censorship on publications wiped out key Young Hegelian journals from Prussia,⁶ and expelled Young Hegelian scholars from universities.⁷

These developments of German reality must have had an enormous influence on Marx who was forming his identity as Young Hegelian. After being granted a PhD in philosophy from the University of Jena in the spring of 1841, Marx was hoping to get a post in the University of Bonn with the help of his then close friend Bauer who was based there. But he was forced to find another job in journalism after Bauer was dismissed from the university. To make matters worse, his life as journalist did not last for long because the *Rheinische Zeitung* whose editorship Marx was holding from October 1842 was forced to close at the end of March 1843 as a result of the

⁶ The Prussian Government forced the *Hallische Jahrbücher für deutsche Wissenschaft und Kunst*, the most popular Young Hegelian journal founded by Arnold Ruge in January 1838, out from Prussia in 1841, and Ruge established the *Deutsche Jarhbücher* in Saxony in the same year. But the Pressian Government finally succeeded in making the Saxon Government cease the publication of the *Deutsche Jarhbücher* in 1843. It is then that another Young Hegelian journal, the *Rheinische Zeitung* disappeared. See, for detail, Brazill (1970: 87-91).

⁷ At that time, the Prussian Government had the legal right of 'prior censorship' of some journals, and 'the authority to suppress any journal whose views they regarded as inimical'. In addition, 'academic posts were part of government service, and the candidates for academic posts were submitted to the choice of government' (Brazill 1970: 83).

Government's harsh censorship and the indecisive attitude of the shareholders of the newspaper.

It was against this background that Marx's declaration that 'the *criticism of religion* has been essentially completed' came out. This was more than anything else emphasising the need for transcending the limitation set upon intellectuals by the government, and for the criticism of reality and, in this sense, it was also Marx's own 'ex post facto approval' of a certain tendency in Hegelianism; some Young Hegelians had already felt the need to go beyond the realm of religion, and were extending their criticism to reality.⁸ Indeed, it is quite obvious that Marx was then a diligent follower of Bauer, and deeply influenced by some other Young Hegelians. It is generally accepted amongst specialists on the theme that Marx's 'declaration' was, too, presented under the authority of Bauer (McLellan 1969: 79-80; Rosen 1977: 122). Nevertheless, it is still strange to say that the criticism of religion has been 'completed' and, indeed, other Young Hegelians — including Bauer, and unlike Marx who actually never tried religious criticism after the declaration in February 1844 (as well as before it) — continued to debate religion critically until, at least, 1848 when the name 'Young Hegelianism' saw its extinction.

Here, it may be useful to recall the role played by Feuerbach. If Bauer, as an earnest student of Hegel while he was alive, was in most part interested in extending and refining his Master's philosophy, Feuerbach was breeding a different kind of ambition — negating Hegel's system as a whole, and building his own. Although his first criticism of Hegel in 1839 failed to attract much of an audience, his 1841 book was quite a success. Engels recollected its impact:

Then came Feuerbach's *Essence of Christianity* [*Das Wesen des Christentums*, 1841]. With one blow, it pulverized the contradiction [between idealism and materialism], in that without circumlocutions it placed materialism on the throne again. ... Nothing exists outside nature and man, and the higher beings our religious fantasies have created are only the fantastic reflection of our own essence. The spell was broken; the "system" was exploded and cast aside, and the contradiction, shown to exist only in our imagination, was dissolved. One must himself have experienced the liberating effect of this book to get an idea of it. Enthusiasm was general; we all

⁸ According to Harold Mah (1987), not all the Young Hegelians were politically instigated, but only such Prussians as Bruno Bauer, Arnold Ruge and Karl Marx.

became at once Feuerbachians. How enthusiastically Marx greeted the new conception and how much — in spite of all critical reservations — he was influenced by it, one may read in the *The Holy Family*. (Engels 1886: 364)

In spite of Engels's exaltation, however, it is doubtful if the Young Hegelians 'all became at once Feuerbachians' and obviously, it was not *The Essence of Christianity* so much as 'Provisional Theses for the Reformation of Philosophy' [*Vorläufige Thesen zur Reform der Philosophie*] and 'Principles of Philosophy of the Future' [*Grundsätze der Philosophie der Zukunft*] that Marx applauded so much.⁹ At any rate, the brilliance of Feuerbach to Marx was not his materialism as Engels recalled but his way of combating Hegelianism. In his *Essence*, Feuerbach attempted to purify religion that theology had falsified, by conceiving man as a species-being [*Gattungswesen*] and God as 'the manifested inward nature, the expressed self' of man (Feuerbach 1841: 139); according to this understanding, the essence of theology is nothing but anthropology. Two years later, he took another step forward in 'Theses' and 'Principles'. Here he argued that *speculative philosophy* from Descartes all the way to Hegel was no more than *theology* and, consequently, could apply the criticism that he imposed on theology to speculative philosophy:

The secret of *theology* is *anthropology*, but the secret of *speculative philosophy* is *theology*, the *speculative* theology. Speculative theology distinguishes itself from *ordinary* theology by the fact that it transfers the divine essence into this world. That is, speculative theology *envisions*, *determines*, and *realizes* in this world the divine essence transported by ordinary theology out of fear and ignorance into another world. (Feuerbach 1843: 156)

In a nutshell, according to Feuerbach, both theology and speculative philosophy were in their nature anthropology and, as such, had to be reformulated with human-beings at the centre of them. It is beyond doubt that this kind of *humanism* appeared attractive to Marx who felt very unhappy about Hegelian ideal concept of man. Nevertheless, the real influence on Marx of Feuerbach's philosophy was not so much its *substance* as its *method*. For instance, while Marx employed Feuerbach's 'reversal method' [*Umkehrmethode*] to criticise Hegel in 'Critique of Hegel's Doctrine of the State' (1843, 'Critique', hereafter), he filled the emptiness created by criticism with

⁹ McLellan (1969: 94-5) develops this doubt more.

his own content which was above all *social*.¹⁰ This is also true of religious criticism. When such Young Hegelians as Bauer spoke of the need to extend their criticism from religion to reality, or politics and the state, they thought of it simply as a matter of changing the fields of criticism, *i.e.*, only in terms of the *content*. Consequently, they just performed their ‘political’ criticism with the same *logic* as applied to religious criticism: ‘True criticism ... consists in the discovery of the particular logic of the particular object’ (Critique: 158, 159).¹¹ And, more importantly, they did continue religious criticism; in the end, as far as *content* is concerned, religious criticism can never be completed!

Modern German criticism was so preoccupied with the old world and so entangled during the course of its development with its **subject-matter** [religious criticism] that it had a completely uncritical attitude to the **method** of criticism and was completely unaware of the *seemingly formal* but in fact *essential* question of how we now stand in relation to the Hegelian *dialectic*. (Manuscripts: 379. Italics are original, and bolds are mine.)

To Marx, the declaration of the ‘completion’ of religious criticism meant not simply the irrelevance of the *substantial* criticism of religion but also a death sentence to Hegelian ideal philosophy in general. Based on such an idea, he at last presented new tasks of philosophy and history:

It is therefore the *task of history*, once the *other-world of truth* has vanished, to establish the *truth of this world*. It is the immediate *task of philosophy*, which is in the service of history, to unmask self-alienation in its *unholy forms* once the *holy form* of human self-alienation has been unmasked. Thus the criticism of heaven

¹⁰ Feuerbach’s anthropology was naturalistic and contemplative, and he kept himself distant from social matters. Marx was always discontented with this even while praising Feuerbach. Compare his letter to Arnold Ruge dated 13 March 1843 (CW01: 399), and two surviving letters to Feuerbach on 3 October 1843 and 11 August 1844 (CW03: 349-50 and 354-57). Marx’s judgement on Feuerbach is well summarised in ‘Theses on Feuerbach’ (1845).

¹¹ Christopher J. Arthur cites this same sentence out of the blue when he tries to justify his Hegelian-prone interpretation of Marx’s ‘method’ in *Capital* (2002: 3). Interestingly, Jacques Bidet says in the exactly opposite way: ‘A *specific object possesses the specific categories. It does not possess the specific logic*’ (1985: 170). While debate concerning this difference will be delivered in the following chapters, it seems to suffice for the time being to note that it hardly seems to be relevant for one, while talking about *Capital*, to cite the above sentence which was written 25 years before it.

turns into the criticism of earth, the *criticism of religion* into the *criticism of law*, and the *criticism of theology* into the *criticism of politics*. (Introduction: 244-5)

Now Marx is able to depart from the realm of religious criticism which, ironically, he has never stepped in before, and enter into the domain of reality — not only in terms of the ‘subject-matter’ of criticism but also of its method or logic behind it. To him, those Young Hegelians who are deeply concerned with religious arguments — religious, either in substance or in method, or both — appear as the ‘Holy Family’.

2.1.2. The Discovery of ‘the Material’

In just a few months after the ‘declaration’ in February 1844, Marx turned his attention to political economy in a series of manuscripts written in Paris, the ‘Economic and Philosophical Manuscripts’ (abbreviated as the ‘Manuscripts’, hereafter). But the advance from religion to reality did not lead Marx to this ‘turn’ automatically. As apparent in the last quotation, the ‘reality’ as opposed to ‘religion’ meant to him those spheres of politics and law, not economy. This is not surprising if one remembers that Marx’s theoretical interest was, then, still to a large extent Hegelian. Political economy had yet to show up before his eyes, which signifies that other conditions were required for the ‘turn to political economy’. To reconstruct with reference to Marx’s own explanation in the ‘Preface’ to *A Contribution to the Critique of Political Economy* (1859, *Contribution*, hereafter), he still has to discover that legal and political relations are in fact rooted in certain *material* interests, that civil society is the world of such material interests, and that political economy is the tool for analysing it — ‘the anatomy of civil society’ (*Contribution*: 19-22 *passim*).

At first, the influence of Marx’s German contemporaries is remarkable. In the ‘Preface’ to the ‘Manuscripts’, Marx praised Weitling, Hess and Engels for their originality in their political economic research (Manuscripts: 281), and among those he later expressed his continuing admiration for Engels’s article ‘Outline of a Critique of Political Economy’ published in the *Deutsch-Französische Jahrbücher*, by calling it a ‘brilliant essay on the critique of economic categories’ (*Contribution*: 22). Maximilien Rubel sums up its influence upon Marx as follows:

Not only did Marx adopt certain ideas from Engels's *Outlines*; we sometimes hear its tone as well echoed in the commentaries of Marx's Parisian notebooks. ... Marx, fifteen years later, called it "a work of genius" and cited it several times in *Capital*. (Rubel 1968: 117)

However, Engels's influence on the formation of Marx's political economy should not be too much emphasised; as Allen Oakley once observed, that work of Engels 'in no way defined or bounded the study that Marx undertook' (Oakley 1983: 3).¹² Even if Marx's political economic study might have been triggered by Engels's 'Outline', he had already been 'in the embarrassing position of having to discuss what is known as material interests' (*Contribution*: 19) in his own life. This 'embarrassing position' can be seen mainly in two respects. Firstly, in the course of dealing with 'Debates on the Law on Thefts of Wood' (1842), for instance, he showed an understanding that what appeared to be legal or political matters were in fact based on certain *material interests*, i.e. that what was called 'general interest' claimed by the state in the form of law could be illusory. Secondly, faced with the Prussian Government's decision to ban further publication of the *Rheinische Zeitung* after April 1843, Marx who was then the editor of the paper was obliged to stand in contrast with the interest of its shareholders who were deemed to be liberal, but who also did not want to make the Government angry by ignoring its decision, and realised that they actually had the same material interest with the Government.¹³

Through such experiences as briefly sketched above, and through 'a critical re-examination of the Hegelian philosophy of law', Marx at last concludes:

that neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life, the totality of which Hegel, following the example of English and French thinkers of the

¹² Rubel quickly adds just after the above quote: 'This was Marx's homage to the first author who, although he may not have revealed to him any new theoretical truth, at least shared his own hatred for a morality disguised as science in order to justify the scandal of mass poverty and human degradation' (Rubel 1968: 117).

¹³ See Marx's draft reply to the accusations contained in the ministerial rescript of January 21, 1843, titled 'Marginal Notes to the Accusations of the Ministerial Rescript' (CW01: 361-65).

eighteenth century, embraces within the term “civil society”; that the anatomy of this civil society, however, has to be sought in political economy. (*Contribution*: 20)

All in all, Marx’s intellectual journey until he arrived at above conclusions may be summarised into this phrase: *a quest for the real and the material* in social processes. From religious criticism performed by his colleagues he was able to realise that what matters was *reality* and *real* human-beings, together with the necessity to reconstruct a new theoretical or philosophical framework appropriate to the new objects. And in the lives of the real human-beings, he observed the deterministic power of the *material*. Although lots of examples of how to deal with ‘the material’ were laid before him in the form of ‘political economy’, he had yet to find out how to construct his *own* political economy. Of course, this can only be answered in the development of his thinking so far, which will be traced in the next section.

2.2. THE FOUNDATION OF MARX’S POLITICAL ECONOMY: THE CASE OF ALIENATION

After the ‘turn’ to political economy occurred in early 1844, the fundamental framework of Marx’s *own* political economy was to be formed mainly in the ‘Manuscripts’ (1844) and *The German Ideology* (1845-6, *Ideology*, hereafter). As will be shown below, the concept ‘alienation’ [*Entfremdung*] plays an essential role in this process, and Marx’s quest for the real and the material still prevails here. This attitude led Marx not only to produce his own concept of alienation but, in the end, to deconstruct it and transcend the *problématique* concerning alienation.

2.2.1. The Genesis of Marx’s Theory of Alienation

The term ‘alienation’ was first employed meaningfully by social contract theorists such as Grotius, Hobbes, Locke and Rousseau. They used it in the sense that a man is to lay down — voluntarily — part of his ‘natural rights’ for the sake of the community or political society. This was imported to Germany by Hegel’s contemporaries like Fichte and Schiller, and Hegel himself also used it in his early

works (Schacht 1971: 8-17). But it was in the *Phenomenology of Spirit* (1807) that Hegel finally gave the term ‘alienation’ his own sense. In this work, he attempted ‘to take into account all of the great human achievements of the past up to his time, and to present them as aspects of a single continuous development’ (31) — the development of the human spirit. Here, ‘alienation’ refers to a stage that spirit as the supreme human essence inevitably experiences in the process that it achieves its ‘self-consciousness’ — that is, recognising everything in the world as its objectification. To the human spirit, everything in the world is an object of recognition, knowledge. At first, it just exists ‘out there’ indifferent to spirit and, at some point in time, spirit would recognise the object as such, as an outer object. It is then that spirit is said to be *alienated*; the outer object, which will ultimately be understood by spirit as its creature or a form of its existence, is recognised as something external to it. But in the end, man ‘regards it as the objectification of the human spirit, in which spirit finds the objective form that is essential to its actualization’ (32); in this way alienation is overcome.

It is generally agreed that the main difference of Marx’s theory of alienation from that of Hegel’s is that the former grasps the concept of alienation in terms of labour — not abstract and mental but material and manual. As Marx put it, Hegel was interested, if ever, only in the former form of labour in the *Phenomenology*.¹⁴ Given that, it is also a generally accepted view to seek the genesis or source of Marx’s revolution of the concept from the section on ‘Lordship and Bondage’ in the *Phenomenology* where Hegel does deal with material and manual labour unlike the other parts of the book. However, as Christopher J. Arthur aptly argues, it is very unlikely that Marx actually referred to that section to reconstruct Hegel’s concept of alienation from the perspective of labour.¹⁵ Instead, Arthur delivers alternative exposition of Hegel’s

¹⁴ See, especially, the last pages of the ‘Manuscripts’ where Marx tries to make an overall assessment of Hegel’s philosophy.

¹⁵ For full debate, see Arthur (1986: Chapter 7). This is a reproduction with revision of the earlier version published in *New Left Review*, No. 142 (Arthur 1983). According to him, the mythical insistence on the influence of the ‘Lordship and Bondage’ section on Marx’s theory of alienation was first created and popularised by such prominent authors as Alexandre Kojève, Jean-Paul Sartre, Jean Hyppolite and Herbert Marcuse. Since then, that view has widely been accepted as the ‘standard’ interpretation of the relationship of Marx to Hegel, argues Arthur.

influence on the formation of Marx's own theory of alienation by drawing attention to other sections of the *Phenomenology* that Marx did actually mention (Arthur 1986: 84-91).

However, when it comes to the genesis or formation of Marx's concept of alienation, it is insufficient to refer only to the *Phenomenology* even if this is where Hegel finally formulated his own theory of alienation. Instead, it is much more natural to suppose the influence of his fellow Young Hegelians who, prior to Marx, had been developing economic and political theories of alienation. And, more importantly, it has to be remembered that Marx had already been in the process of 'a critical re-examination of the Hegelian philosophy of law' (*Contribution*: 20) on his own; according to a letter to Arnold Ruge in March 1842, he was thinking of contributing 'a criticism of Hegelian natural law',¹⁶ and it was finally written during the middle months of the next year. Unfortunately, this was not to be published in his lifetime as was the case with the 'Manuscripts' written in 1844, but it was here that Marx for the first time appropriated the concept of alienation in a meaningful way:¹⁷

... the whole content of law and the state, is broadly the same in North America as in Prussia. Hence the *republic* is just as much a mere *form* of the state as the monarchy here. The content of the state lies beyond these constitutions. ... Of all the different expressions of the life of the people the political state ... was the hardest to evolve. When it did appear, it developed in the form of universal reason opposed to other spheres and transcending them. The task set by history was then the reclamation of universal reason, but the particular spheres do not have the feeling that their own private existence declines with ... the political state in its transcendent remoteness [*jenseitigen Wesen*], and that its transcendent existence is anything but the affirmation of their own alienation. ... The sphere of politics has been ... the only

¹⁶ 'Another article which I also intended for the *Deutsche Jahrbücher* is a criticism of Hegelian natural law, insofar as it concerns the *internal political system*. The central point is the struggle against *constitutional monarchy* as a hybrid which from beginning to end contradicts and abolishes itself' (CW01: 382-3).

¹⁷ Following the general way of expression, I use 'alienation' in this thesis to refer to what Hegel and Marx tried to express by the German *Entfremdung*. However, in *Early Writings* (Marx 1975), my main reference for Marx's main works written in 1843-4, the translators distinguish the German terms *Entäußerung* and *Entfremdung* from each other by matching English alienation and estrangement, respectively, for them. So, for the sake of convenience, I replace in all the quotations the word 'estrangement' with 'alienation' without further notice. For a detailed discussion on translation, see the appendix to Arthur (1986: 147-9).

sphere in which the content, like the form, was species-content [*Gattungsinhalt*], i.e. the true universal. At the same time however, because politics was opposed to all other spheres, its content too became formal and particular. *Political life* in the modern sense is the *scholasticism* of the life of the people. The monarchy is the perfected expression of this alienation. The *republic* is the negation of that alienation, but within its own sphere. ...

... In the Middle Ages the life of the people was identical with the life of the state [*Staatsleben*]. Man was the real principle of the state, but man was *not free*. Hence there was a *democracy of unfreedom*, a perfected system of alienation. (Critique: 89-90. Translation modified.)

Even though this atomistic point of view [the view that man is regarded as an individual person, not a member of a community] vanishes in the family and perhaps (??) also in civil society, it returns in the political state just because the latter is an abstraction from the family and civil society. The converse is equally true. However, the mere fact that Hegel draws attention to the *strangeness* [*das Befremdliche*] of this situation does not imply that he has eliminated the *alienation* [*die Entfremdung*] it entails. (Critique: 145)

Apparently here Marx really looks like a Hegelian who regards the political state as a ‘form of universal reason’ or ‘the true universal’. At the same time, however, he recognises that, specifically in the modern situation, the state exists in opposition to other spheres of life which still remain in their particularity, and is in turn made to appear ‘formal and particular’, i.e. *another* particular sphere! In such circumstances, whilst modern man has become a free individual, he also loses the universal content of life. All this is what Marx signifies above by the German word *Entfremdung*.

Interestingly, however, in his *Philosophy of Right*, the object of Marx’s ‘re-examination’, Hegel himself never uses the term ‘alienation’ in the sense he developed in the *Phenomenology*.¹⁸ Of course, this does not mean that Marx created his concept of alienation for himself. On the contrary, as a letter to his father in 1837 implies, he must have read Hegel’s *Phenomenology* then, and had acquainted himself to Hegel’s concept of alienation long before he embarked on the ‘re-examination’. What requires an explanation is how the gap between the years of 1837 and 1843 could be bridged, and the answer may be found in the development of the concept of alienation by the Young Hegelians.

¹⁸ He does use the term in the *Philosophy of Right*, but mostly in the conventional and plain sense that the English and French social contract theorists meant.

2.2.2. The Formation and Characteristics of Marx's Theory of Alienation

It was David Friedrich Strauss who first appropriated Hegel's concept of alienation for the criticism of religion, and thereafter it became widely circulated amongst the Young Hegelians especially by Feuerbach and Bauer in the early-1940s. Basically, the two representatives of Young Hegelianism developed the concept of alienation to argue that in religion — especially Christianity — man is alienated from his own essential nature:

Bauer sees the idea of God and of religion in general as an expression of man's alienation from himself, and in this respect he has certainly been influenced by Feuerbach and particularly by the thoughts contained in *The Essence of Christianity* .
..

Following Feuerbach, Bauer sees religion as the dehumanization of humanity, for within its frame man is deprived of his authentic content and attributes to God what he himself lacks. Religion splits man's personality into two components: his alienated essence which does not belong to him but to heaven, and what remains after the alienation. (Rosen 1971: 391-2)¹⁹

However, unlike Feuerbach who kept silent about politics,²⁰ Bauer tried to extend further his criticism from religion to politics and the state. From the perspective of politics, the main reason Bauer opposed Christianity was 'because it separates men from each other and their true essence' (McLellan 1969: 67). In other words: 'The aim of the state is unity and harmony, whereas the Church divides man from himself' (68). At first Bauer kept his faith in the Prussian state with all its shortcomings; he regarded them as a necessary evil that inevitably arose in the development of history. But his attitude towards the state abruptly changed after his was dismissed from the

¹⁹ However, the concrete ways they understood God were quite different; while Feuerbach tried to identify the real meaning of religion, regarding God as man's transcendent essence, Bauer dismissed the idea of God *in toto* as an illusion. Zvi Rosen also makes a quick note that 'the semblance between Bauer and Feuerbach is purely external and formal', and briefly discusses their philosophical differences, aside from the political ones. See Rosen (1971: 392n).

²⁰ Marx W. Wartofsky (1970) in his biography of Feuerbach identifies that he joined the German Social Democratic Party (SPD) in 1870, only two years before he died.

University of Bonn and deprived of the right to teach in the Prussian universities in the spring of 1842: ‘He identified his dismissal as a world-historical break’ (Mah 1987: 71). Defining the present Prussian state as Christian, he now applies the religiously extended concept of alienation to politics. Just as he dismissed God, so does he now deny the present state, demanding that it should be transformed into a Republic. Interestingly, he believed all this could be achieved by means of ‘pure criticism’. It is a matter of fact that this point of view of Bauer’s deeply influenced Marx.²¹ His ‘declaration’ on the need for the extension of religious criticism to other spheres is clearly a neat summary of Bauer’s theoretical transition above,²² and his unpublished manuscript ‘Critique’ is full of the inspiration given by Bauer: from labelling the Prussian state as Christian to advocacy of republicanism.²³

In the end, Marx’s ‘critical re-examination’ of Hegel’s *Philosophy of Right* may be said to be a criticism, by means of the politically transformed concept of alienation, of Hegel’s *problématique* of the separation of the political state and civil society in modern world and its *Aufhebung* by the former. To Hegel who basically regards the ‘separation’ as a contradiction, however, the same separation appears as *an evolution of the Idea*, or a ‘logical development’ from civil society, the sphere of particularities, to the state, ‘the reality of ethical Idea’ (PR: §257).²⁴ The alienation Marx finds here is two-fold: on one hand, in this situation of separation, man is inevitably alienated from the universal content of life and, on the other, Hegel’s way of conceptualisation

²¹ When Marx was still skeptical about the communist movement, he wrote: ‘Clearly the weapon of criticism cannot replace the criticism of weapons, and material force must be overthrown by material force. But theory also becomes a material force once it has gripped the masses’ (Introduction: 251). This is exactly what Bauer had in mind.

²² For more, see McLellan (1969: 78-81).

²³ It is not suitable to trace Bauer’s influence on Marx any further in this thesis. For full discussion, see Zvi Rosen’s masterly work on the theme (Rosen 1977). McLellan’s (1969) concise exposition is sufficient, though. It goes without saying that most of the similarities between Bauer and Marx to be observed in their writings in the early-1840s were to be rejected by Marx before long as he established his own point of view.

²⁴ ‘The deeper truth is that Hegel experiences the separation of the state from civil society as a *contradiction*. The mistake he makes is to rest content with the semblance of a resolution which he declares to be the real thing’ (Critique: 141).

of the separation simply expresses the alienation of his own consciousness.²⁵ Since, according to Marx, ‘the political state cannot exist without the natural basis of the family and the artificial basis of civil society’ (Critique: 63), and since ‘the *state as such*’ is merely an ‘abstraction’ as long as its real and material basis is not considered properly (90), Hegel’s consciousness is in alienation when he simply identifies ‘what is with the *essence of the state*’ (127).²⁶ Moreover, while man has been given the chance to develop as an ‘individual’ only in modern society, he, whose real and material life is still carried on in the sphere of civil society, is at once subject to the disruption of life and personality in the situation of the ‘separation’; briefly, he himself is alienated. The latter idea is further elaborated and nicely formulated in ‘On the Jewish Question’ (‘Question’, hereafter):²⁷

The perfect political state is by its nature the *species-life* of man in *opposition* to his material life. All the presuppositions of this egoistic life continue to exist *outside* the sphere of the state in *civil society*, but as qualities of civil society. Where the political state has attained its true development, man leads a double life, a heavenly and an earthly life, not only in his thought, in his consciousness, but in *reality*, in *life*. He lives in the *political community*, where he regards himself a *communal being*, and in *civil society*, where he acts as a *private individual*, regards other men as means, debases himself to a means and becomes a plaything of alien powers. The relationship of the political state to civil society is just as spiritual as the relationship of heaven to earth. The political state stands in the same opposition to civil society and it prevails over the latter in the same way as religion prevails over the narrowness of the secular world, i.e. it [the political state] always has to acknowledge it [civil society], reinstate it and allow itself to be dominated by it. In his most *immediate* reality, in civil society, man is a secular being. Here, where he regards himself and is regarded by others as a real individual, he is an illusory [*unwahre*] phenomenon. In the state, on the other hand, where man is considered to be a species-being, he is the imaginary member of a fictitious [*eingebildeten*]

²⁵ This ‘two-foldness’ remains an important and resilient character of Marx’s ‘critique’. Marx in principle criticises other theories for failing to grasp the real essence of the aspect of reality in which they are interested, and, by tracing why they have failed, criticises the deceptive appearance of reality as well. This argument will be more developed in Chapter 5 where the meaning of the critique in *Capital* is investigated.

²⁶ ‘Hegel proceeds from the assumption that ‘*civil society*’ is *separate* from the ‘*political state*’, that they are two fixed antitheses, two really different spheres’ (Critique: 137).

²⁷ Marx’s exposition on the alienation of Hegel’s consciousness is to be found in many pages of the ‘Critique’, and the last section, ‘Critique of Hegel’s Dialectic and General Philosophy’, of the ‘Manuscripts’.

sovereignty, he is divested of his real individual life and filled with an unreal universality. (Question: 220. Translation modified.)

As shown above, the alienation man experiences in the reality of the separation of the state and civil society is, again, two-fold: on one hand, he is *in practice* alienated from his communal life since, whereas his real and immediate life belongs to civil society, the universality claimed to be given to him by the state is merely an ‘unreal’ one.²⁸ But, on the other hand, man is destined to be ‘an illusory phenomenon’ in civil society as well, for here every man is regarded as ‘a private individual’, not as a species-being, and degraded into ‘a plaything of alien powers’.²⁹ It is here that the main theme of Marx’s theoretical endeavour is to be found: *to overcome such separation and alienation in modern society*.³⁰

Indeed, it is true that this kind of problem was felt more or less commonly by the Young Hegelians as well as Hegel. Despite, one does not have to bother to suppose here any influence of particular thinkers on Marx; rather, more plausible is that this kind of thinking was more or less general in Germany in the early-19th century.³¹ But what matters is the *difference* between Marx and them. Unlike others, Marx searched for the real and material basis for the separation and alienation (‘a quest for the real and the material’) and, consequently, tried to find the solution as well as the root of the problem in civil society, the sphere of material life and interests. Moreover, unlike Hegel and Bauer who tried to find the solution in the state, Marx argues that ‘the *state*

²⁸ ‘... man considers political life, which is far removed from his actual individuality, to be his true life ... Political democracy ... regards man ... as a *sovereign* and supreme being; but man ... as an alien being distinct from actual man ...’ (Question: 225-6).

²⁹ Michael Heinrich also recognises this (2006: 99).

³⁰ These two kinds of alienation, together with their abolition, are later thematised in a different but closely related way: as the political alienation to be overcome by establishing a new communality, and as the economic one to be overcome by abolishing exploitation in the sphere of production.

³¹ As for Marx, he had already written in one of his Gymnasium graduation essays ‘Reflections of a Young Man on the Choice of a Profession’ as early as in August 1835 as follows: ‘the chief guide which must direct us in the choice of a profession is the welfare of mankind and our own perfection. It should not be thought that these two interests could be in conflict, that one would have to destroy the other; on the contrary, man’s nature is so constituted that he can attain his own perfection only by working for the perfection, for the good, of his fellow men’ (CW01: 10).

can liberate itself from a restriction without man himself being *truly* free of it'. Therefore, 'man liberates himself from a restriction through the *medium of the state*, [merely] in a *political* way, by transcending this restriction in an *abstract* and *restricted* manner, in a partial manner, in contradiction with himself' (Question: 218). For instance,

The *property qualification* is the last *political* form to recognize private property.

And yet the political annulment of private property does not mean the abolition of private property; on the contrary, it even presupposes it. The state in its own way abolishes distinctions based on *birth, rank, education* and *occupation* when it declares birth, rank, education and occupation to be *non-political* distinctions ... Far from abolishing these *factual* distinctions, the state only exists on the presupposition of their existence; it feels itself to be a *political state* and asserts its *universality* only in opposition to these elements of its being. (Question: 219)

'The property qualification' has been abolished formally in modern society, but in fact continues to exist and operates as a basis for it. Civil society is nothing other than the world of private property, and of labour, need and division of labour. It is here that man's alienation and the disruption of his life are rooted and, therefore, that the overcoming of them has to be sought. It is for this reason that Marx begins to pay attention to political economy which he later calls 'the anatomy of civil society', and the analysis of society in terms of political economy is first elaborated in the 'Manuscripts'.³²

It is against this complex background, not in relation to Hegel or his *Phenomenology* alone, that Marx's theory of alienation advanced in the 'Manuscripts' is to be investigated.³³ Although Marx must have been aware of Hegel's concept of alienation as such, it was in the religiously, and then politically extended form by his fellow Young Hegelians that Marx seriously acknowledged the concept. Nonetheless, what

³² 'On the Jewish Question' and 'Excerpts from James Mill's *Elements of Political Economy*' written shortly before Marx writes the 'Manuscripts' may well be called their 'trial versions'.

³³ Given that, it is very surprising that this is very little, if any, developed by Marxist writers — such as István Mészáros (1975), Bertell Ollman (1976), Arthur (1986) as well as Georg Lukács (1923). David McLellan's (1969) groundbreaking work looks like an exception. But I would argue that to conceal others' influence on Marx has nothing to do with glorifying Marx, not to speak of understanding him correctly. The real value of Marx can be revealed only in comparison with, and in his debt on, others.

is remarkable in Marx is that he went back to the *Phenomenology*, ‘the true birthplace and secret of the Hegelian philosophy’ (Manuscripts: 383), and put his concept of alienation under serious scrutiny through critical confrontation with Hegel’s. However hard other Young Hegelians might criticise religion, politics, and even their Master, and thereby however radically they might try to extend the concept of alienation, they were in the end *idealistic Hegelians*, as long as they are couched in the Hegelian *problématique* of the overcoming of the contradictions of modern society by the state as ‘the reality of ethical Idea’. Marx, on the contrary, transcended it simply by giving the initiative back to civil society from the state. On the other hand, equipped with this ‘reversed’ — or corrected — *problématique* and the understanding of civil society as a system of alienation, he was able to criticise the (classical) political economists who ignored this fact: ‘Political economy conceals the alienation in the nature of labour’ (Manuscripts: 325), and ‘has merely formulated the laws of alienated labour’ (332). However, Hegel was not so different from them in that he, too, failed to grasp the essential nature of civil society — especially of labour. And his theory is, like that of political economy, nothing but a product of alienation of his consciousness as long as he tries to overcome the contradiction of modern society only spiritually: ‘Hegel adopts the standpoint of modern political economy’ (386).

2.2.3. The ‘Aufhebung’ of Marx’s Problématique of Alienation

So far, the context in which Marx’s theory of alienation — mostly in the pre-‘Manuscripts’ days — was presented, together with its significance within the context, has been examined. Now his theory of alienation worked on in the ‘Manuscripts’ is to be treated, and it will be shown that the *problématique* concerning alienation is at last transcended in the *Ideology* written in 1845-6.

In the previous sub-section (§2.2.2), it was suggested that a modern man, according to Marx unlike other contemporaries of his, suffers from two kinds of alienation. One is the alienation caused by the disruption of the life’s integrity. In the separation of the state and civil society, while man’s life is mostly carried on in the latter sphere, he is only given a ‘fictitious sovereignty’ from the state; thereby he is alienated from the

universal content of life which is concentrated in the state. The other form of alienation is concerned with man's life in civil society conceived as a system of labour, need, and private property.³⁴ Here, man appears to be a 'private individual' treating others as means, and is also treated by them as such. It is this latter form of alienation that is discussed in the 'Manuscripts' and, given that the separation of the two domains of life is rooted in the conditions of civil society, it may be said to be the more fundamental form of alienation.³⁵

However, this way of sophistication or reformulation of the concept of alienation introduces a new problem to be solved. By problematising alienation, Marx is trying to restore in man his communal being and life from which he is detached in modern society, and thus to enable him to identify his individual and communal life. Actually, this is exactly what Hegel and his 'Young' disciples sought to do. But Marx is faced with a problem that others did not bother to consider; that is, by basing alienation in civil society, the sphere which is defined as one of *real individuals*, his concept of alienation is rendered *real* but, at the same time, *individual* — not *immediately social*.³⁶ Therefore, for him to be able to argue to the effect that the *Aufhebung* of alienation should restore in man his *communality* which obviously can hardly be dealt with at the individual level, Marx is required to develop his concept of alienation beyond the individual horizon. It is this necessity that constitutes the *immanent drive* for the development of his concept of alienation. In the 'Manuscripts', Marx addresses it in four steps,³⁷ starting from the alienation an individual immediately experiences in the capitalist labour-process, and progressively advancing it onto the communal sphere — the alienation of man from other men. At last he says: 'Man's

³⁴ See Hegel's characterisation of civil society in *Philosophy of Right*, esp. §182-208. Marx basically accepts his analysis (critically).

³⁵ It means that, when it comes to the *Aufhebung* of alienation, abolishing the latter form of alienation is more essential. The abolition of the former form, leaving the latter untouched, will inevitably be reduced to being fictitious, which is what Marx called '*political emancipation*'.

³⁶ It goes without saying that the conditions for this alienation are *social*.

³⁷ Alienation of man (1) from his product, (2) from his labour, (3) from his species-nature, and (4) from (other) men. See the last section 'Estranged labour' of the first of the 'Manuscripts'.

alienation, like all relationships of man to himself, is realized and expressed only in man's relationship to other men' (Manuscripts: 330). Indeed, it is easily observable that Marx develops his concept of alienation from simple/individual/subjective moments (the relationship of man to himself) to complex/relational/objective ones (the relationship of man to others). And, of course, this development appears subject to the *immanent necessity* of the concept, until the concept of alienation is properly situated in the *social relationship between men*.

In this way, the newly addressed problem looks as if it were solved. But what has to be remembered here is that Marx in the 'Manuscripts' heavily drew upon Feuerbach's concept of man as a species-being [*Gattungswesen*]. Marx employed this concept as a substitute for Hegel's universality which he dismissed on the ground that it was ideal. But to define the essence of man in some way or other is ideal at any rate — whether it is called universality or species, and whatever content it is claimed to have. Indeed, the *problématique* of alienation necessarily and always presupposes the 'good state' and the 'essence' of man, and displacement of man from this state is defined as 'alienation'. This is nothing but *ideal* thinking and, thus, *teleological* as well, for it aims at recovering the ideally conceived 'good state' or 'essence'. Marx's realisation of it is strikingly shown in the pages of the *Ideology* such as:

German criticism ... by no means examines its general philosophic premises, but in fact all its problems originate in a definite philosophical system, that of Hegel. ... Their [German critics'] polemics against Hegel and against one another are confined to this — each takes one aspect of the Hegelian system and turns this against the whole system as well as against the aspects chosen by the others. To begin with they took pure, unfalsified Hegelian categories such as "substance" and "self-consciousness" [Strauss and Bauer], later they secularised these categories by giving them more profane names such as "species", "the unique", "man", etc [Feuerbach and Stirner]. (*Ideology*: 34-5)³⁸

... at every historical stage "man" was substituted for the individuals existing hitherto and shown as the motive force of history. The whole process was thus conceived as a process of the self-alienation of "man", and this was essentially due to the fact that the average individual of the later stage was always foisted on to the

³⁸ More accusations against Feuerbach's concept of species include: 'Feuerbach ... posits "Man" instead of "real historical man"' (*Ideology*: 44), 'the ideal "compensation in the species"' (47), 'a speculative-idealistic, i.e., fantastic, way as "self-generation of the species"' (59).

earlier stage, and the consciousness of a later age on to the individuals of an earlier. Through this inversion, which from the first disregards the actual conditions, it was possible to transform the whole of history into an evolutionary process of consciousness. (*Ibid.*: 97-8)

Consequently, Marx in the *Ideology* departs from the *problématique* of alienation, and never deals with it in his later writings at least in the same way as in the 'Manuscripts'.³⁹ Of course, this is not to say that Marx now dismisses man's alienation altogether. On the contrary, what is called '*estranged, alienated labour*' was, to him, nothing but a 'conceptual form' of 'an economic fact', *i.e.*, 'the alienation of the worker and of his production' (Manuscripts: 330): 'The transformation, through the division of labour, of personal powers (relations) into material powers, cannot be dispelled by dismissing the general idea of it from one's mind' (*Ideology*: 86). Then, what matters is in what way to understand that 'economic fact' *without presupposing an ideal image of man*.

That is what Marx, together with Engels, tries to do in the *Ideology*.⁴⁰ Here, instead of defining man's essence *a priori*, he insists on 'setting out from real, active men, and on the basis of their real life-process demonstrating the development of the ideological reflexes and echoes of this life-process' (*Ideology*: 42). Man is now understood in the context of the *actual relationship* in which he is situated.⁴¹

This sum of productive forces, capital funds and social forms of intercourse, which every individual and every generation finds in existence as something given, is the

³⁹ Among the few exceptions, two occasions are remarkable; one is in the *Grundrisse* (831-3), and the other is the aborted manuscript for *Capital*, 'Results of the Immediate Process of Production' (*Capital* 1: 949-1084). Still, to connect them directly to the concept of alienation as in the 'Manuscripts' looks misleading. Rather the 'alienation' in those later manuscripts is considered as 'an economic fact', the meaning of which is to be expounded in the following sentences. On the other hand, concerning the discussion of alienation in the *Grundrisse* and *Capital*, and the progressive — and *inevitable* — disappearance of the category of alienation, see Jacques Bidet's brief but clear argument (1985: 166-8).

⁴⁰ However, the profundity of this realism must not have been done justice by Engels who was totally ignorant of Marx's intellectual development just before they embarked on writing the *Ideology*.

⁴¹ Not recognising this, Arthur (1986) just insists that Marx's concept of *species* has a different *content* from that of Feuerbach's; he never questions the ideal nature of the *problématique* of alienation *per se*.

real basis of what the philosophers have conceived as “substance” and “essence of man”, and what they have deified and attacked ... (*Ideology*: 62)

Individuals have always proceeded from themselves ... within their given historical conditions and relations, not from the “pure” individual in the sense of the ideologists. (87)

Based on such an understanding of man, Marx reformulates civil society:

The form of intercourse determined by the existing productive forces at all previous historical stages, and in its turn determining these, is *civil society*. (*Ideology*: 57)

Civil society embraces the whole material intercourse of individuals within a definite stage of the development of productive forces. It embraces the whole commercial and industrial life of a given stage ... (98)

On the other hand, even within the renewed framework, still relevant is the most fundamental problem Hegel and his disciples including Marx tried to address; the disruption of life’s integrity, or the loss of what Hegel and Feuerbach called universality and species-nature, respectively. At the same time, however, this problem is now to be approached, not from this or that (ideal) definition of man, but from the real social relationships he establishes in reality. Concerning this matter, it is important to note that, by conceiving man in terms of the relationships he establishes in the network of production and intercourse, and by regarding history as the development of such relationships, Marx is enabled to take notice of the positive, as well as the negative, moment in the development — the moment of doing away with alienation as a present economic fact. This implies an evolution of Marx’s thinking, considering he used to emphasise the negative aspect of alienation blaming Hegel for seeing its positive side alone (*Manuscripts*: 386). In other words, Marx now sees in the development of alienation the emergence of the conditions for overcoming it, which is summarised in the following passage:

... this development of productive forces (which itself implies the actual empirical existence of men in their *world-historical*, instead of local, being) is an absolutely necessary practical premise [for the abolishment of alienation] because without it privation, *want* is merely made general, and with destitution the struggle for necessities and all the old filthy business would necessarily be reproduced; and furthermore, because only with this universal development of productive forces is a *universal* intercourse between men established, which ... finally puts *world-*

historical, empirically universal individuals in place of local ones. (*Ideology*: 54 and 57)

It is true that, from the first time he negated the Hegelian prescription for man's alienation, the ideal overcoming of it by the absolute Idea or the state, Marx had difficulty in finding an alternative to it, which made his critique look incomplete. As long as he seeks the root of the problem from civil society, the solution is also to be found there. Moreover, this solution has to transcend the fictitiousness and narrowness of the state, too; it has to replace the 'fictitious sovereignty' implied to be given by the state, by producing *real* relationships between men. All this is found in the 'universal intercourse between men' that is to be established with the 'universal development of productive forces'. Indeed, these productive forces 'which have been developed to a totality' can 'only exist within a universal intercourse'. This universal intercourse will for its part build up 'a totality of capacities in the individuals themselves' (*Ideology*: 96), and turn individuals who have so far been bound to the locality of 'the state and the nation' (98) into 'world-historical, empirically universal individuals'. Marx thinks that this is *being actualised* by the development of the *world market*. It is more than anything else 'an economic fact': 'the extension of markets into a world market, which had now become possible and was daily becoming more and more a fact' (78). Only 'the wealth of [their] real connections' to be fulfilled in the world market

... will liberate the separate individuals from the various national and local barriers, bring them into practical connection with the production (including intellectual production) of the whole world and make it possible for them to acquire the capacity to enjoy this all-sided production of the whole earth (the creations of man). (*Ideology*: 59)

To sum up, Marx is now permitted to transcend not only Hegelian idealism but also the *problématique* concerning alienation altogether. By adhering to what is real and material, he could develop from the sphere of civil society the *real and material equivalent* of what Hegel tried to secure by composing the concept of the state in an ideal way; the *world market*, so to speak. And, in doing so, he could *depart* from the *problématique* of alienation which always presupposes the *ideal* initial state of affairs; this is *not* simply solving the problem. Rather, by accepting alienation as an economic

fact, not problematising it in a philosophical way at all, Marx now finds out the moment of abolishing it in the course of its development.⁴²

2.3. CONCLUSION

So far, the early development of Marx's thinking has been discussed. The early 19th century German and European intellectual and social circumstances, together with Marx's personal experience from the late-1830s to the early-1840s, appear to have largely determined the course of development, as well as the starting point of his much troubled intellectual journey. Like other young radical German intellectuals, Marx was facing the problems which were deemed to have been borne out of the newly emerging modern world, and which Hegel, among others, tried to address and solve from a specific point of view.

But unlike the other Young Hegelians who in essence remained in the Hegelian framework even when they were criticising him, Marx was able to transcend it by means of adhering to the real and the material in social processes. For Marx, Hegelian concepts of man, alienation, the state, etc. were ideal in the sense that they were posited by Hegel and others as the subject that had brought about the real social contents they represented, *not* the other way round. So, Marx's critique of Hegel was basically getting the reversed relationship between concepts and reality right, and criticising, restricting and redefining the concepts by clarifying the real and material basis they justifiably reflected. However, this sort of *radical* critique will inevitably lead to the '*dissolution*' of the concepts themselves, simply because Hegelian concepts cannot consist with reality; because, in other words, while what seemed obvious to Marx was that the contents of a concept had to be given by reality, Hegelian concepts were characteristic in that they generated their contents for themselves! Once the critique gets to the realisation of this, then the concepts cannot be sustained any more.⁴³

⁴² Michael Heinrich calls it 'the moment of dissolution of Marx's concept' (2006: 118-20).

⁴³ This will be discussed more in the next chapter.

This was shown in the second section of this chapter with the concept of alienation taken as an example; however, this is much more than an illustration, for it is the key concept in Marx's early development, at least before he started to write the *Ideology* in 1845. We have seen here how Marx's attempts at substantiating Hegelian concept of alienation gave way to the final rejection of it ('a process of successive *Aufhebung*'). However, Marx did not ignore the *reality* represented (ideally) by the concept of alienation altogether, but tried to capture this reality by calling it 'alienation as an economic fact'. Indeed, he regarded political economy as a tool for dealing with the economic fact although political economists did not seem to Marx so successful in carrying out that job.

On the other hand, even if the modern reality which had been destroying man's life was now grasped as such, not by way of conceptualisation, this was totally different from a *contemplative* understanding of it, represented by Feuerbach.⁴⁴ This disruptive reality was not to be taken for granted (partly as in Feuerbach), but at the same time, the need for, and the inevitability of overcoming it should not be given by the categorical imperative imposed by the logic of the concept (as in Hegel). This is exactly where man's *practice* comes in; Marx replaces the Hegelian speculative inevitability with man's practical collective will to overturn the disruptive reality, but again, as long as man is understood in the context of the social relationship around him, the latter is to be constituted in the social processes as well. That is, Marx is asking here what kind of development of reality is it that makes man's collective practice — the communist movement as Marx names it in the *Ideology* — inevitable? The answer is, as discussed in the previous section with textual evidence, the multiplication of the *real* relationship with which man gets involved in his every-day life, and which is aggregated in the development of the *world market*. Since all these phenomena — the development of universal intercourse, world-historical, universal individuals with all-round capacities, and the world market — were being actualised as *economic facts*, they were to be analysed with political economy.⁴⁵ Moreover, the

⁴⁴ See 'Theses on Feuerbach', especially the first one.

⁴⁵ Put differently, all these phenomena had the potential to terminate the contradictions in modern society, and man's practice — the communist revolution — was conceived as the power to actualise this potential. At any rate, though, the practical movements for the communist revolution can hardly be the object of political economic theory, and it is

world market was all the more important, for it was identified by Marx as the real and material substitute for the state which was suggested by Hegel as the moment of restoring man's communal being once lost in the modern conditions. Therefore, for the rest of **Part I**, Marx's further development in the sphere of political economy, and the varying significance of the world market during the development will be dealt with.

observable that, as Marx's political economy develops, his analysis is centred on the potential conditions which are deemed to be *objective* and *material*.

CHAPTER THREE

THE EVOLUTION OF MARX'S POLITICAL ECONOMY

In the previous chapter, the formation and early development of Marx's thinking was broadly analysed. It was attempted there to show that Marx, having started his academic career as a philosopher, eventually arrived at the terrain of political economy in the course of searching for the real and material basis of social phenomena and, moreover, of the theories put forward by his German predecessors and contemporaries.

Another main conclusion of the last chapter was that, almost at the same time with his arrival at the terrain of political economy, Marx began seriously to consider the world market. He appeared to be deeply impressed by the rapid development of the world market at that time, precisely because it appeared to him to epitomise what Hegel had tried to address using the concept of the state. That is, the world market was conceived by Marx as the material, real-world equivalent for the state which had been ideally conceptualised by Hegel.

However, since the significance Marx attaches to the concept of world market — the main object of concern of this thesis — changes over time as his political economy proceeds, we need to analyse further Marx's intellectual development *in* the domain of political economy (**Chapter 3**) before we can properly understand the varying significance of the concept of world market in Marx's critical theoretical project as a whole (**Chapter 4**).

3.1. POLITICAL ECONOMY BEFORE MARX

Considering Marx's whole life, political economy can be said to be the ultimate destination of his lifetime intellectual journey. Since he got to the terrain of political economy at the age of 26 in 1844, his remaining life was hugely marked by an extensive and critical study of political economy. In the meantime, however, he only

produced two remarkable political economy works; one is *A Contribution to the Critique of Political Economy* in 1859 and the other *Capital* in 1867. What is worse, they made up only a part of his project, the Critique of Political Economy. Naturally enough, in the long process of his occupation with political economy, Marx's attitude towards it changed a lot. In this section, before examining what changes actually happened in Marx's *own* political economy over time, the historical and intellectual context around political economy itself will be expounded at a general level.

3.1.1. The Historical and Social Background of Political Economy

Throughout social sciences, the term 'political economy' is used broadly in a variety of senses. The Internet encyclopaedia *Wikipedia* (<http://www.wikipedia.org>), for example, registers seven different usages of political economy in various disciplines of contemporary social science, and one could increase the number with other measures. For the purpose of this thesis, however, political economy is more than anything else the old name for what we now call 'economics' in the 18th and 19th centuries; the renaming took place around the turn of the century, and the new name, economics, seems to have firmly established its sovereignty within its own discipline in the early-20th century.⁴⁶ Consequently, when used side by side with 'economics' within the economics discipline, the term 'political economy' sometimes refers to something distinct from 'economics'; i.e., economics with a political tinge. But this is a really vulgar way of using the term, not least considering the historical and social context in which 'political economy' was originally born; the term 'political economy'

⁴⁶ Of course, there is a geographical variation as well. In some old European universities the term political economy is still used retaining its traditional sense, while in those countries where Western styled disciplinary systems were introduced recently, political economy refers to something very different; in South Korea, for example, it is generally regarded as 'Marxist' political economy.

reflected the social transformation — in its broad sense — that had been happening for centuries before it was actually coined.⁴⁷

According to the historiographers of the science of economics, the origin of political economy dates back to the 18th century, and Adam Smith is generally regarded as the founder of modern political economy. However, the history of man's dealing with economic matters should be as old as human history itself. As the text books of the history of economic thought suggests, it was the Ancient Greek people who, in the Western tradition, first discussed economic matters in any serious and systematic manner. The origin of the word 'economy' is also to be found in the Ancient Greek language — *oikonomia*. It is said to have been coined by Plato's contemporary, Xenophon (ca. 431–355BC), who wrote a book entitled *Oeconomicus* (Xenophon 1970). *Oikonomia* is a compound of *oikos* and *nemein* meaning 'household' and 'to manage' respectively and, thus, Xenophon's *Oeconomicus* is mainly about household management (Knight 1973; Strauss 1970).

It is very important to note that 'economy' originally referred among the Ancient Greeks to the management of the household, simply because it seems rather strange and even contradictory to describe the management of the household as *political*; it is more private than political.⁴⁸ Further, what has been dealt with under the heading of political economy or economics for the last several hundred years was mostly 'bigger' matters than those concerning household management.

In the first place, it has to be remembered that the Ancient Greek household was quite different from that of today.

The *polis* households analyzed by Aristotle in his *Politics* and *Ethics* had little in common with the households of contemporary developed states. For Aristotle as for most Greeks, modern households would not have been households at all. ...

The differences were profound and manifold. In the eyes of Greeks, most modern households would have been seen as deficient, incomplete economic entities failing

⁴⁷ In a sense, the renaming also reflects in itself some social transformation, and it is natural that the content and aim of 'economics' should be different from those of its predecessor. See below.

⁴⁸ Of course, it is hardly relevant here to refer to the extended meaning of 'the political' as suggested by the term 'micro-politics'.

in the all-important aspect of being, at least minimally, self-sustaining. In this regard, modern households are the reverse of *polis* households in that they are, by and large, dependent for their subsistence on income originating from outside the household. Without jobs provided by the disembedded, non-household economy, modern households could not exist. Households of this type are merely consumer and reproductive units. By contrast, the Greek *oikos* was expected to be a self-sustaining joint enterprise ...

However, it was much more than a business enterprise. The driving force of the *oikos* economy was not profit in the modern sense of the term. The *oikos* was a moral and religious entity in its own right whose purpose was not just the generation of legally recognizable citizens, but the proper formation of morally acceptable members of the particular *polis* community where it was located, and the passing on of the household's religious cults to future generations. (Nagle 2006: 1-2)⁴⁹

It was, in brief, the household as understood in such a way as above that formed both the foundation of the Ancient Greek society and of Aristotle's economic theory which was firmly based on his knowledge of the society's *actual* conditions. Therefore, they simply did not need the adjective '*political*' to describe the '(political) economic' affairs as the 18th century thinkers called them.⁵⁰ And it was precisely in this way that the term 'economy' had been understood for more than 1800 years since Aristotle before the term '*political* economy' got to be used widely in the 18th and 19th centuries.

⁴⁹ 'The family (*genos*), as the Greeks first knew it, is an extensive group. All who own the same hero for ancestor remain united round the same hearth. Although they are married, the fifty sons and the twelve daughters of Priam dwell together under the paternal roof. While the family group has obligations towards the city, the individuals composing it depend on it alone. It keeps its autonomy, and has its own chief, its own worship, its own administration, and its own justice' (Glotz 1920: 7-8).

⁵⁰ In this sense, Schumpeter's argument is quite misleading: 'It is not true, as has often been maintained, that the economy of the '*oikos*' with its autarky of the household produced no problems of a '*political*' economy proper, and the '*oikos*' economy was not quite so prevalent as is assumed in this argument' (Schumpeter 1914: 10). Based on this, he continues to champion Aristotle as 'the first and for a long time the only thinker to recognize that the economic activity of man represents a problem of intrinsic interest distinguished clearly and incisively from mere household and workshop management on the one hand and from the art of the legislator, on the other' (Schumpeter 1914: 11).

Then one can reasonably suppose that, in order for ‘economy’ to be ‘political’ although this coinage seems contradictory, there should be some sort of social transformations that made the household insufficient as the basic unit of social organisation. Indeed, for centuries, the household was on its way to being reduced to a mere unit of consumption while the scale of economic affairs that required serious consideration got bigger and bigger. People, of course, still performed traditional ‘economic’ activities of production, exchange, and consumption mainly to manage their family as before, but at the same time new kinds of economic problems were emerging such as trade between countries, the management of the government, the maintenance of the value of money *vis-à-vis* other currencies, etc. They were new, not in the sense that they had not existed before, but that their emergence was very closely related to the newly arising modern states especially from the 16th century.

However, the transformations took place very slowly, and the intellectual appropriation of them was even slower. Concerning this, Neal Wood provides an interesting study of a few early Tudor social thinkers, and Sir Thomas Smith (1513-1577) is one of them. He was among the first to distinguish government from the state, and to recognise the rise of a form of society — ‘societie civill’, ‘a society organised by government and law’ (Wood 1994: 203) — which was distinct from other human societies (198-9). However, while recognising all these problems were beyond the household both in content and form, he still tried to explain them resorting to an analogy with the management of the household:

Following Aristotle, Smith ... saw the origins of the first state in the patriarchal household, and in general he viewed the rule of the family as similar to the government of existing polities ... [In his *A Discourse of the Commonweal of This Realm of England*, published posthumously in 1581] he implied that the state was the household in macrocosm by his comparisons of the economic life of each. (Wood 1994: 216)

Considering that Smith had already recognised the unprecedented fundamental changes of human life that could not be reduced to mere household affairs, his employment of the analogy seems largely due to a lack of relevant concepts and analytical tools. But the ‘household–state metaphor’, says Wood, ‘became quite popular since Smith first employed it’ (217). But, over time, analogy seems to have given way to *distinction*. Antoine de Montchrétien, though employing the term

‘political economy’, still relied on the household–state analogy in his *Traité d’économie politique*, published in 1615,⁵¹ but Sir James Steuart at last made it clear in his *An Inquiry into the Principles of Political Economy* (1767) that he distinguished ‘political economy’ from ‘economy’ as such:

Oeconomy, in general, is the art of providing for all the wants of a family, with prudence and frugality. ...

What oeconomy is in a family, political oeconomy is in a state. (Steuart 1767: 15, 16)

And, later on, James Mill also opened his *Elements of Political Economy* (first published in 1821) with the following remark: ‘Political Economy is to the State, what domestic economy is to the family’ (Mill 1826: 210). What is notable here is that he made the distinction even clearer by referring what had been called ‘economy’ as ‘domestic economy’. Side by side with the gradual emergence of the term ‘political economy’ as something distinct from ‘economy’, its meaning also became fixed after a series of transformations; as seen in Steuart’s remark, just like ‘economy’, it had been regarded as an ‘art’ of managing the state,⁵² but over time it confirmed its status as an independent field of social science. For example, John Stuart Mill defined political economy as follows:

“The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as these phenomena are not modified by the pursuit of any other object” (Mill 1844: 323).⁵³

⁵¹ On Montcrétien, see McNally (1988: 68-72). This Frenchman has generally been regarded as the first to use the term ‘political economy’ in the title of his book, but this is not the case. According to James E. King (1948), it was in the year 1611 by Louis de Mayerne-Turquet in his work *La monarchie aristodémocratique* that ‘political economy’ was used for the first time in history.

⁵² This state is by definition simply the same as the civil society as Hegel conceptualised in *Philosophy of Right*. And Adam Smith’s definition of political economy in his *Wealth of Nations* (1776) is not very different from Steuart’s. See Groenewegen (2002: 67-8).

⁵³ Peter Groenewegen (2002) provides a collection of definitions of political economy by various authors, ranging from Sir James Steuart to Paul Samuelson, and shows how the ways (political) economists define their own field of study have changed over time.

In conclusion, the emergence of the concept of political economy, together with its independence as an individual field of study of society, was a result of a long and slow transformation of society itself, and of the way of people looking at it. In relation to the term's origin, especially, at the most immediate level, it implied that the 'economic' significance of the household had been changed. In the modern state, people got freed from all kinds of bondages taken for granted in former societies, and were no longer regarded as members of a family, nor of these or those (small and arbitrary) societies. Instead, in the newly emerging state, each of them was now related to the whole society as an individual. In this situation, no commensurability remained between the state and any smaller units that might be thought of as family by analogy. This is why the household-state metaphor could no more be valid. On the other hand, one of the main forces that drove such developments was industrialisation, and gradually it became the single most important determinant of modern society. It was in this sense that Marx and Engels regarded political economy as the science of modern industrial capitalism. Industrialisation transformed society under the principles which were radically different from those of the former eras. Even if some parts of society might not be 'industrialised' in themselves, the whole society was indeed reorganised under the leadership of the most industrialised part and, consequently, the significance of the '*unindustrialised*' parts *vis-à-vis* the whole society was necessarily to change. Political economy, generally speaking, arose as the science of this society.

3.1.2. Political Economy between Smith and Hegel

Actually the historical development briefly exposed above took place not only in Britain but was shared by, at least, Western and Northern Europe as a whole and, not surprisingly, the intellectual endeavour — which was very often guided by practical needs — to understand this changing situation was also arising across Europe from the sixteenth century onward.⁵⁴ The first remarkable fruit of such an effort is what we

⁵⁴ Schumpeter's (1914: Chapter 1) short but thorough exposition is a good summary of the landscape of the major European countries. And Magnusson (1987; 1992) is only one of the

call Mercantilism in the 17th and early 18th centuries in England, and this was paralleled by its equivalents in other countries; Colbertism in France and Cameralism in Germany, for instance.

In the first place, it is very important that each of these three strands of thought, or rather state policies was in its own country a product of a series of political and social developments that culminated in the establishment of the modern state in each country. Since most of those who developed these thoughts and policy suggestions were not in the academia but commercial actors or state servants, the reflection of reality in discourse was quick and immediate, if crude and not very systematic. They ‘took it for granted that national commercial policy should serve national ends’ without seriously discussing what ‘national’ meant at all (Schumpeter 1914: 39), and ‘generally agreed to certain fundamental *principles* of what caused economic growth’ (Reinert 2005: 272) with all the national differences. On the other hand, it is true to the same degree that the modern state gradually took its form *through* ‘Mercantilist’ practices; in this sense, Mercantilism — and its equivalents in other countries — can be said to have been ‘a means for the creation of national economic units’. But in defining national interests as distinguished from private ones, a possibility of a clash between the two inevitably arose (Schumpeter 1914: 39, 41), and it seems that the consequent development of economic theories in different countries had much to do with how to deal with this problem. And, more importantly to this thesis’ purpose, this difference was crucial in defining the way that Marx intervened in those theories — political economy, so to speak.

In tackling the above problem England and Germany showed a striking contrast, which is worth looking into for a while since it played a crucial role in forming Marx’s problematisation in political economy. Indeed, while he had a great deal of interest, if not always positive, in English political economy, he showed no mercy towards the economic science developed in his own country although his father had

examples that remind us that the same phenomenon was taking place in the European countries Schumpeter did not consider.

been quite eager to make his son study it ‘for future’.⁵⁵ The different ways for the two countries to react to the problem of the conflict between public, national interests and private, individual ones is hinted most wittily and briefly by Albion Small in the conclusion of his classic work on Cameralism:

In spite of the necessary inaccuracy of a brief theorem, especially when it is antithetic in form, the contrast between German and American conceptions of civic experience may be stated approximately as follows: *From the beginning the Germans have regarded the state as primarily a unit, and only secondarily an aggregate. From the beginning Americans have regarded the state as primarily an aggregate, and only secondarily a unit.* (Small 1909: 493. Original italics.)

Although Small is here making a comparison between Germany and the U.S., simply replacing the latter with the 18th century England perfectly serves our purpose. Even more interesting is the two contrasting views of the state — a unit in itself or a mere aggregation of its elements. This juxtaposition appears somewhat vulgar and crude (as Small himself admits), but it is actually how this matter has been conceived so far,⁵⁶ and does reflect the truth of the matter. In Germany, the cameralist tradition remained strong for a long time, and the possible clash of the public and the private interests was not so problematic in this framework, even after Cameralism gave way to its successor, the German Historical School. What is interesting here is that the classical household-state metaphor still worked quite well in this situation:

According to the cameralistic conception then, the state was a magnified family with a big farm as its property. The unity of this family with its estate was symbolized by the prince. Its interests were represented by the prince in such a way that no one could very clearly discriminate between the personality of the prince and the interests of the state. The unity of this farm-patriarchate- principality was so impressive that at first very little occasion seems to have been found for distinguishing between the concepts “welfare of the prince,” “welfare of the state,” “welfare of the people” (considered collectively), and “welfare of the people” (considered individually). (Small 1909: 495)

⁵⁵ See the two letters sent in 1836 by the father Heinrich Marx; one is to his son, and the other is a consent letter to his son’s transfer from Bonn to the University of Berlin (CW01: 649-51, 655-6).

⁵⁶ As in the two paths of capitalist development; American-type and German- or Rhein-type.

On the other hand, in England, while emphasis was moving towards the individual, what could be termed ‘national interests’ or ‘communal interests’ was not to be ignored; people were always seeking hard to compromise the two, and those like Sir Thomas Smith were the earliest to deliberate over such a matter (Wood 1994).⁵⁷ As mentioned in the previous sub-section (§3.1.1), Smith resorted to the household-state analogy to deal with ‘political economy’ in the 18th century sense of the term, but there was (at least) one element that could not be captured in this analogy — the individual.⁵⁸ Actually, this is why Hegel posited the family as the first moment — thus the moment to be sublated to a higher one, *civil society* — of what he called ‘ethical life’ in the *Philosophy of Right*; in the family, one cannot have one’s own *actual* [*wirklich*] individuality:

The family, as the immediate substantiality of mind, is specifically characterized by love, which is mind’s feeling of its own unity. Hence in a family, one’s frame of mind is to have self-consciousness of one’s individuality *within* this unity *as the absolute essence of oneself*, with the result that one is in it not as an independent person but *as a member*. (*Philosophy of Right*: §158. My italics.)

Originally the family is the substantive whole whose function it is to provide for the individual on his particular side by giving him either the means and the skill necessary to enable him to earn his living out of the resources of society, or else subsistence and maintenance in the event of his suffering a disability. But *civil society tears the individual from this family ties*, estranges the members of the family from one another, and recognizes them as self-subsistent persons. (§238. My Italics.)

It was through the generations of Scottish moral philosophers in the seventeenth and eighteenth centuries that the Smithian household-state metaphor was replaced completely, and the problems of the individual and of the individual-community

⁵⁷ This contemplation led him to think vaguely about what Marx called later ‘social division of labour’ (Wood 1994: 213-4). Interestingly, this thought was not so much developed further nor conceptualised distinctly by later thinkers; rather it was evaporated in the narrower concept of in-factory division of labour of Adam Smith.

⁵⁸ In a way, this is not a matter of whether the modern individual actually exists, but of whether one has the *concept* of it. Of course, the concept is here assumed to have been ‘extracted’ (Althusser and Balibar 1968: 35-6) from the study of reality. As long as one has the concept of individual, then there is an immanent necessity that this concept should be well integrated into the whole theory.

relationship were discussed from a totally different perspective.⁵⁹ Sticking to the individual as the starting point,⁶⁰ they assumed that there were natural propensities in human beings given by God. ‘The basic task,’ says Andrew Skinner, ‘was to explain how it was that a creature endowed with both self and other-regarding propensities was fitted for the social state’ (Skinner 1996: 110).

It was against this background that Adam Smith presented his system of economic thought, and that modern political economy at last made its appearance. Indeed, he was a professor of moral philosophy in the University of Glasgow, and his political economy was intended as part of his ambitious project of ‘social science’ that consisted of ethics and jurisprudence as well as political economy (Skinner 1976: 13-4; 1996). In the tradition of Scottish moral philosophy, he approached the individual-community problem by conceptualising the interplay of two main human propensities — fellow feeling and self-love. That is, for Smith, man was naturally selfish on the one hand, but at the same time willing to keep himself in harmony with the community. To compromise these two conflicting propensities, argued Smith, it became necessary ‘to establish sources of control such as the rules of justice and morality’ (Skinner 1976: 15-27). Therefore, as a number of researchers have pointed out, to consider this is essential to understand his system of economic thought,⁶¹

⁵⁹ They were the contemporaries of Immanuel Kant (1724-1804), Johann Gottfried Herder (1744-1803), Giambattista Vico (1668-1744), etc. Stephen Toulmin makes an interesting argument that their geographical locations were an important factor which enabled them to come up with the most profound observations as for their time (Toulmin 1992). Edinburgh/Glasgow (Scottish moralists), Königsberg (Kant, Herder), and Naples (Vico) were largely out of the centre in each country.

⁶⁰ Cf. Marx’s brief criticism of this can be found in the ‘Introduction’ to the *Grundrisse* (1857 Introduction: 82-3). We will come back to this point later.

⁶¹ However, the desire to ‘understand’ something correctly must be differentiated from all sorts of apologetic explanations of it. For example, Jeffrey T. Young’s following argument is hardly acceptable. According to him, Smith’s political economy is so deeply rooted in his moral philosophy crystallised into *The Theory of Moral Sentiments*, and Smith’s two major books, the *Sentiments* and the *Wealth of Nations*, are so closely related that his abandonment of the labour theory of value and adoption of the cost of production theory ‘must be seen as a reflection of the jurisprudential ancestry of his economics’ (Young 1995: 772). Compare this with Ben Fine’s (1982) critique of Smith especially in terms of his abandonment of the labour theory of value. On the other hand, at the most general level, it is a matter of the interpretation of Smith’s thought as a whole, especially the relationship

although political economy actually became more and more detached from its ethical foundation in the hands of Smith's followers.

In Hegel can be found the same degree of ambitiousness. Indeed, it was this same problem that Hegel was faced with when he launched his enormous philosophical project. A significant part of the *Philosophy of Right* (1821), Hegel's most developed social philosophical work, was devoted to a conceptual reconstruction of modern civil society with all its contradictions to be overcome later by the State, and it was largely based upon the analysis of the British political economists such as Sir James Steuart, Adam Smith, and David Ricardo.⁶² Thanks to them, Hegel was able to develop the insight of civil society as a system of needs, work, and division of labour. In a sense, Hegel's dependence on them (or others from outside Germany) was inevitable since German reality was not so suitable to develop such ideas. As Shlomo Avineri indicates, Hegel's social philosophy, especially the theory of civil society in the *Philosophy of Right* was not based on any empirical or historical study, but 'rather a distillation of the model of society presented by modern political economy raised to the level of a philosophical paradigm' (Avineri 1972: 90).

However, while Avineri is here simply pointing out that Hegel widely read the works of British political economists, and was very much influenced by them, this explanation seems insufficient. Rather, as Manfred Riedel explains, Hegel had already been engaged with the consideration of 'a reciprocal dialectical relationship between private and public ends forming the basis of a "social connection" which encompasses "personal" activity' (Riedel 1969: 44), and the problem he was faced with before encountering political economy was as follows:

... Rousseau drew false conclusions from the 'true' premises which were at his disposal: his design for the *Social Contract* succumbs to the traditional illusions by thinking of the state as a 'community of citizens' in the manner of Plato's *Republic* and Aristotle's *Politics* as well as by identifying it with 'civil society'. On the contrary, one of the most important results of Hegel's debate with classical politics and

between the *Sentiments* and the *Wealth of Nations*, and it has been called '*Das Adam Smith Problem*'. See, for the origin and development of the debate, Montes (2003).

⁶² His first encounter with British political economy was in 1799 through Christian Garve's translation of Sir James Steuart's *An Inquiry into the Principles of Political Economy* (1767). But his research in this field was not clearly known during Marx's time.

modern natural law theory is that on the basis of the double insufficiency of both their principles he draws a conclusion which severs their traditional relationship at just this decisive point. As distinct from natural law theory, which from Hobbes to Kant posits 'individual' and 'general' will, or 'civil society' and 'state' as *mutually identical*, Hegel, under the influence of the historical experience of the French Revolution,⁶³ begins with the insight that the opposition between these terms as a differentiating principle must be recognized and made theoretically valid. The contrast between classical politics and modern natural law theory made it clear to him that clinging to the *identity of state and civil society* is an illusion and a contradiction of the presuppositions historically conditioning each. (Riedel 1969: 107. My italics.)

In other words, Hegel was struggling with the same problem as Adam Smith and other Scottish moral philosophers — the individual-community conundrum — but from a different perspective; i.e., in the confrontation, and discontent, with the classical Platonic-Aristotelian tradition on the one hand, and modern Natural Law and Social Contract theories on the other. In this situation, what Hegel seems to have felt obliged to do is to develop the concepts of modern 'civil society' as distinct from the (ideal) state in the classical sense, and of the 'individual' residing in the civil society thus defined and differentiated.

They [the 'societies' as meant by Natural Law theorists] are associations of people who, by means of rational discussion and action, form a common will which, for all those bound by it, is the will of one '*legal individual*'. ... For Hegel, on the other hand, 'society' consists by definition in *private persons* bound together by *need* and *labour*. ... Hegel's philosophical achievement in this field consists above all in his having seen the 'private' frame of reference of individuals as *publicly mediated* and grasped their natural basis as a social constant. The theory of civil society is not oriented around the contract, the union of rational, articulate individual agents, but the '*system of needs*' — *a network of relations between 'private persons' resulting from need, the means of satisfaction and labour that is constantly reproducing itself*. (44. My italics.)

This is exactly what the 'new science' of political economy as Adam Smith meant it to be was all about, although he approached it in a different language. And, moreover, just as for Smith, political economy constituted only a part of his system of social science, so it was for Hegel who regarded it as the science of civil society and of

⁶³ On the influence of the French Revolution on the formation of Hegel's thought, see Ritter (1965).

actual individuality (*Philosophy of Right*: §199), and who thought civil society was to be raised to a higher level, the state.

3.1.3. Summary and Conclusion

In the intellectual context of the 18th and early 19th centuries in Europe, the term ‘political economy’ referred either to the real issues concerning the management of the whole community, *civil society*, or simply to the study of them. And both the usages were confirmed as a result of a series of preceding historical and social developments. On the one hand, as the double movement of the formation of the modern state, and of the emergence of the individual unfolded, the so-called ‘economic’ problems could not be properly approached based upon the traditional sense of the term ‘economy’. In this process, on the other hand, the endeavour of many people to understand the nature and working mechanism of the newly defined economy, i.e., *political economy*, gave rise to a new science of it. Of all the newly posed, or redefined, problems in the modern world, most crucial was to deal with the conflict between the public and the individual interests, and between (groups of) individuals with different interests. It is in this vein that Adam Smith laid down the foundation for modern political economy through a critical engagement with English Mercantilism and the French Physiocrats.

In this respect, Hegel was not so different from Smith. Against the background of the development of the modern world, he also struggled to correctly understand the modern problems and transcend them. In this process, he was enormously influenced by the works of the British political economists.

Lastly, it is important to note that the significance of political economy for both Smith and Hegel was quite limited, given the grand scale of their social philosophical projects. For Hegel, political economy was the science for the understanding of civil society which however was for him only a purgatory-like passing stage on the way to the realisation of man’s real freedom. Indeed, whereas analyses and excerpts taken from the works of political economists are easily found in his relatively early manuscripts such as *System der Sittlichkeit* (written in 1802-3) and two versions of

Realphilosophie (written in 1803-4 and 1805-6, respectively), most of them do not feature, except leaving but some traces, in his later social philosophical work like the *Philosophy of Right* published in 1821. In Smith, on the other hand, political economic analyses were performed quite strictly, but as soon as these analyses and the laws derived from them were placed into the whole system of his social science, they often found themselves violated. It is actually this that Jeffrey Young (1995) tries to legitimise in the quotation mentioned in the footnote 61 of this chapter.

However, regardless of what they intended political economy to be, it did thrive among those in the later generations, and was at long last established as an independent field of social science detached from its ‘moral philosophical’ foundations. On the one hand, this opened up the road to vulgarity and narrowness that characterise today’s ‘economics’. But, on the other, it also reveal the fact that as such political economy is in a profound way concerned with the material interests in civil society which cannot be fully addressed in any ideal or speculative framework.⁶⁴ Actually this contradictory significance of the development of political economy since Adam Smith gave Marx a reason for his distinction between ‘classical’ and ‘vulgar’ political economy, and for his commitment to the study of political economy for most of his life.

⁶⁴ The speculative character of Smith and Hegel is especially remarkable when they dealt with *history* and, indeed, this was the main case Marx tried to make against them. They were so obsessed with the ideas of the individual and civil society that they even reconstructed human history as a process of the realisation of these *ideas*. Of course, this tendency was much more obvious and systematic in Hegel who derived the individual and civil society from earlier states of human life logically as a categorical imperative. Smith, too, though less systematically, attempted to reconstruct history as a realisation of the relationships in modern civil society. Hence, Marx’s accusation against the 18th century social thinkers including Smith: They regarded the individual ‘not as a historic result but as history’s point of departure’ (1857 Introduction: 17-18). Skinner (1976: 30-42) delivers a good summary of Smith’s reconstruction of history, if not critically.

3.2. MARX'S PROBLEMATISATION IN POLITICAL ECONOMY: 'METHODOLOGICAL SOPHISTICATION'

Now we are going to turn to the central question of this chapter: the relationship Marx established between himself and political economy, and its development over time. In the 'Preface' to the *Contribution* in 1859, he said that 'the anatomy of ... civil society ... has to be sought in political economy' (*Contribution*: 262). Apart from the rather metaphoric expression 'anatomy', this is exactly what political economy meant to Smith and Hegel as explained in the previous section. This basic attitude remained unchanged for Marx until he finally succeeded in working out his own comprehensive, if incomplete, version of the 'anatomy' in *Capital*.⁶⁵ However, such significance of political economy as this did not occur to Marx from the very first moment, but was forged through the process of his political economic study, embarked on at the beginning of 1844. From this point, it may well be said depth and breadth was progressively added to the importance attached to political economy.

Nevertheless, this process can be characterised neither linear nor quantitative evolution. Indeed, one can easily observe, if one tries, that, whereas in the early years Marx primarily endeavoured to focus on the historically transient character of capitalist society, his main concern subsequently moves to investigating its inner dynamics in his later works, from the *Contribution* through to *Capital*. Considering that this *transition* of Marx's research in its focus on capitalist society has so far largely been ignored, or oversimplified, within the Marxist scholarship, to recognise it is itself very crucial.⁶⁶ In this chapter, this transition in the focus of Marx's political economy is to be identified, with the contention that it reflects the changes in his view on modern capitalist society as well as on political economy.

⁶⁵ '[In] the analysis of economic forms neither microscopes nor chemical reagents are of assistance. The power of abstraction must replace both. But for civil society, the commodity-form of the product of labour, or the value-form of the commodity, is the economic cell-form. To the superficial observer, the analysis of these forms seems to turn upon minutiae. It does in fact deal with minutiae, but they are of the same order as those dealt with in *microscopic anatomy*' (*Capital*: 90. My italics).

⁶⁶ It is worth underlining that we are now speaking of Marx's transition *within* political economy, not what is called his life-time transition from philosophy to political economy. The former is a question that has very rarely been raised.

3.2.1. Political Economy as Destination

It was stated in the previous section that political economy had been regarded by its founders as the science of the movement of civil society *per se*. It was recognised as a *fait accompli* by the political economists in the 18th century that political economy was a science which concerned itself with the material movement — i.e., the production, exchange, distribution, and consumption of material wealth — amongst the main classes that constituted the basic relations in civil society, and that this political economy, when advanced as a complete system, was the theoretical expression of the core of this society. Following this tradition, Marx eventually came to regard political economy as the anatomy of civil society, but it was more than a decade later that he commenced the study of political economy on his own; by this time his view on it had substantially evolved.

As already mentioned, it was Engels who walked on in the terrain of political economy earlier of the two. In his article ‘Outline of a Critique of Political Economy’ contributed to the *Deutsch-Fransösische Jahrbücher* in 1844, he already offered a critique of economic *categories*, if elementary, that later informed Marx’s critique tremendously, and displayed a sharp and intuitive understanding of political economy. According to Engels,

Political economy came into being as a natural result of the expansion of trade ...

The term national wealth has only arisen as a result of the liberal economists’ passion for generalisation. As long as private property exists, this term has no meaning. ... One must either discard this term completely, or accept such premises as give it meaning. Similarly with the terms national economy and political or public economy. In the present circumstances that science ought to be called *private* economy, for its public connections exist only for the sake of private property. (Engels 1844: 418, 421-2)

It is notable that Engels’ commentary reflected the significance of political economy as implied by its early advocates outside Germany and, at the same time, contained a criticism of it.

Obviously, Marx was enormously encouraged by Engels' work, but was not so much interested in developing what was suggested in his article, the critique of economic *categories*;⁶⁷ instead, for him, political economy was more a *destination* arrived at after a series of critical engagements in various discourses (see **Chapter 2**). He was not ready to perform any detailed criticism on his own. But he did declare with confidence in the 'Preface' to the '1844 Manuscripts', his first remarkable contribution to political economy, that 'I arrived at my conclusions through an entirely empirical analysis based on an exhaustive critical study of political economy' (218). His understanding of political economy shown in the body of the '1844 Manuscripts' is superficial, and sometimes simply wrong. Although Marx by this time had already read the French translation of *On the Principles of Political Economy and Taxation* whose author, David Ricardo, he later praised highly for synthesising classical political economy, he did not fully appreciate its significance (cf. Mandel 1967). This is why his reference to Ricardo was very limited. Further, as if to show his lack of research, he heavily relied on authors — apart from Adam Smith — such as Frederic Skarbek and Wilhelm Schulz whose status in the history of economic thought was much lower than those with whom Marx later became familiar.

Indeed, what is remarkable here is that both Engels and Marx sought, like their contemporary French socialists, for the fundamental cause of social problems in *private property*. Especially in dealing with the deliberations of the Rhenish Landtag on forest thefts when he was editing the *Rheinische Zeitung*, Marx had already gained the insight that the state, laws, and ideologies were only an instrument for protecting the prevailing system of private property. In this respect, Marx's encounter with political economy was vital to him because it was a good opportunity for him to develop that insight *systematically*. Put differently, by way of political economy, Marx was enabled to realise clearly the *contradiction* that, whereas the source of the wealth of a society was labour, the product of labour under the present system of

⁶⁷ Marx does not initially seem to have realised the significance of this kind of critique immediately even though he was deeply inspired by Engels' article from when it first came out. Paradoxically nor does Engels recognise its importance even though he was actually addressing it. On the other hand, it took fifteen years for Marx to be able to give due credit to Engels' early contribution as a 'brilliant essay on the *critique of economic categories*' (*Contribution*: 264. My italics).

private property belonged to the owner of the means of labour, not to the executors of the labour. Of course, this contradiction appeared in the form of the struggle between social classes with different material interests and, among others, the most crucial struggle took place between labour and capital, most notably expressed in distributional form.

... English political economy took a big step forward, and a logical one, when — while acknowledging *labour* as the *sole* principle of political economy — it showed with complete clarity that wages and interest on capital are *inversely* related and that as a rule the capitalist can push up his profits *only* by forcing down wages, and vice-versa. (1844 *Manuscripts*: 336)

Thus, the problematisation of the legal and political relations alone, characteristic of his Young Hegelian colleagues, was to Marx failing to address the fundamental problems concerning the material relations that underlay them and, even if they were to succeed in seeing these, the way they dealt with them was easily reduced to idealism, as was the case with Hegel. The political economy as mainly developed in Britain and France, on the contrary, was understood by Marx as a science that *directly* concerned itself with the real material relations under all the visible social processes.

Nevertheless, political economy was to Marx an *estranged* science. For, although it recognised '*labour* as its principle' (341), it 'proceeds from the fact of private property' without explaining it (322); it was 'under the rule of private property' (314). In other words: 'Political economy starts out from labour as the real soul of production, and yet gives nothing to labour and everything to private property' (332).

It grasps the *material* process of private property, the process through which it actually passes, in general and abstract formulae which it then takes as *laws*. It does not *comprehend* [*begreift*] these laws, i.e. it does not show how they arise from the nature of private property. Political economy fails to explain the reason for the division of labour and capital, between capital and land. (322)

In brief, 'it assumes what it is supposed to explain' (323) — 'perversion of concepts'. In this way, political economy, by acknowledging 'the hostile opposition of interests, struggle and war' between social classes, which it has unveiled, 'as the basis of social organization' (311), in reverse, 'establishes the unity of labour and capital in a number of different ways' (364). 'Under the *semblance* of recognising man, the political economy whose principle is labour rather carries to its logical conclusion the

denial of man' (342. My italics). Eventually, political economy ends up with negating its own achievement, and abolishing the contradictions in civil society it has discovered negatively.

There can be mainly two responses to this fallacy of political economy: to take it for granted, or to try to put it right. Marx's choice was the former in the 1840s when he wrote the *1844 Manuscripts*, the *Holy Family* (1845), and the *Poverty of Philosophy* (1847). This was obviously because he regarded the *estranged* science, political economy, as the theoretical expression of the system of *estrangement*, civil society. Accordingly, he did not need to criticise the individual categories of political economy eventually to be able to reconstruct the whole system of political economy, although he had the insight that 'political economy fails to grasp the *interconnections* within the movement' (*1844 Manuscripts*: 323. My italics) and, moreover, although he recognised this task: 'We now have to grasp the *essential connection* between private property, greed, the separation of labour, capital and landed property, exchange and competition, value and the devaluation [*Entwertung*] of man, monopoly and competition, etc. — the *connection between this entire system of estrangement* [*Entfremdung*] and the *money system*' (323. My italics). Therefore, his following comments on Proudhon in the *Holy Family* have to be understood *to the letter*, i.e., in the sense that political economy, given its inherent limitations, cannot abolish itself, and that, in order to do that, we have to depart from political economy:

He has done all that criticism of political economy from the standpoint of political economy can do. ... Proudhon abolishes economic estrangement *within* economic estrangement. ... Proudhon reinstates man in his rights, but still in an economic and therefore contradictory way. ...

The criticism of political economy from the standpoint of political economy recognizes all the essential determinants of human activity, but only in an estranged, alienated form. Here, for example, it converts the importance of time for *human labour* into its importance for *wages*, for wage-labour. (*Holy Family*: 33, 43, 49, 50)

This critical attitude of Marx towards political economy appears similar to Hegel's relation to it as envisaged in the last section, although Marx, who was not fully aware of the fact that Hegel had actually studied political economy extensively before writing the *Phenomenology* (§3.1.2), levelled a simple accusation against Hegel: 'Hegel adopts the standpoint of modern political economy' (*1844 Manuscripts*:

386).⁶⁸ Moreover, the argument that Hegel's negative, passive position *vis-à-vis* political economy had to do with the vastness of the temporal scale of his theoretical project holds good for Marx as well. For, while he was distancing himself from the Hegelian ideal *problématique* of alienation, he kept hold of a *historical* — or 'historicist' — perspective on society which was characteristic of Hegel's thought. Looking at modern civil society from the perspective of its life-cycle (formation, development, and dissolution or transformation into another form of society), Marx emphasised, like Hegel, both explicitly and implicitly, and intentionally and unintentionally, the 'historical temporariness' of civil society, and the 'inevitability' of its abolition. Of course, as already discussed in the previous chapter, the approaches Hegel and Marx took were radically different from each other in every moment; after the *Ideology* Marx began to conceive that the problems that man faced in civil society were deeply rooted in the material relations around him even if they sometimes assumed non-economic forms and, therefore, to try to find the moment of their abolition — in **Chapter 2** was argued that this moment was summarised in the development of the world market, and all-round individual therein — in the real development of the same material relations. In sum, while on the one hand he was leaving the Hegelian territory by departing from the 'humanistic' *problématique* of alienation, and by understanding man in a material way, it can be said, on the other, that Marx was still under the shadow of Hegelianism in that he was still clinging to a characteristically *historical* perspective on (civil) society. This is why his triumph over Hegel in the *German Ideology* was *partial* as well as it was brilliant.

⁶⁸ The first **Part** of this thesis is mainly about Marx's intellectual development. So, in treatment of Marx's criticism of other scholars or their ideas, the main interest lies in the content of his criticism, not in its legitimacy. For his criticism, whether it was justifiable or not, reflects the way he wanted to present his own ideas in a certain context and, in turn, his ideas evolved through the criticism. To test the legitimacy of his criticism, though, requires a different set of debate. Indeed, as stated in the last section referring to Avineri (1972) and Riedel (1969), for instance, Marx's denounce of Hegel that the only labour Hegel knew was 'abstract mental labour' (1844 *Manuscript*: 386) have turned out to be wrong since he had actually thought about the negative effect of *manual* labour well before he wrote the *Phenomenology* and the *Philosophy of Right*. Given this fact, however, Marx's criticism is still relevant in that it raises the issue of the *ideal* way that Hegel's profound consideration of manual labour in his unpublished manuscripts showed up in his main works.

In this historical perspective, interestingly, political economy is employed only *instrumentally*, and this is indeed the way it appeared in the *Ideology*, the *Holy Family*, and partly in the *Poverty of Philosophy*. Although political economy was to Marx very limited in that it did not raise the fundamental problems, i.e., those concerning the historical formation of the assumptions — most important of which to Marx was private property — it took for granted, it was most useful to express the reality of material interests that surrounded the modern man. Especially in the *Ideology* and later works where Marx confirmed his point of view that man should be understood as the ensemble of the material relations around him, the degree of his dependence on political economy which directly dealt with those relations became higher; here, Marx did not so much *criticise* political economy as *utilised* it, its language, its economic categories such as production, exchange, division of labour, etc. to express man's material reality more effectively and more precisely. In this framework in which political economy is subordinate to a higher *problématique*, the only thing that matters is the *critical use of it in recognition of its own limitations*; the need to *reconstruct* political economy through *a critique of its constituent categories as well as the whole system* — the central imperative that guided Marx to write *Capital* — is not raised. But, again, this way of employing political economy is very similar to that of Hegel. The latter also exploited the categories of political economy to describe man's reality in civil society under the larger project of conceptualising the birth of civil society, its development, and finally its transformation into a higher form of society — the state.

As long as political economy is understood in its essence a science of civil society, it is natural and inevitable that one's attitude towards it should be linked with his view on (civil) society. Moreover, one's views on these should be formed and pronounced in a specific theoretical, discursive context; it was, for the Young Marx in the early 1840s, Hegelianism, so to speak. From the outset, Marx's critique of Hegel and his disciples was focussed upon two points; their lack of *realism* on the one hand, and their neglect of real *history* on the other. While, by adhering to political economy (as *destination*), Marx has apparently succeeded in reinstating the real and material, or in understanding and formulating more clearly the issues concerning the real and material interests in modern society, the other missing element, *history*, still remained to be recovered. According to Marx, the perspective of the British and French

political economists was not profound enough to question the legitimacy of the categories and assumptions they took for granted; of course, this question of legitimacy was raised in terms of the *history* of their formation. The essence of the critique of political economy from this point of view is well summarised in the following passage in the *Poverty*:

Economists explain how production takes place in the above-mentioned relations [the relations of bourgeois production, the division of labor, credit, money, etc.], but what they do not explain is how these relations themselves are produced, that is, the historical movement which gave them birth. ... But the moment we cease to pursue the *historical* movement of production relations, *of which the categories are but the theoretical expression*, the moment we want to see in these categories no more than ideas, spontaneous thoughts, independent of real relations, we are forced to attribute the origin of these thoughts to the movement of pure reason. (*Poverty*: 162. My italics.)

It was in this respect that Marx equated Hegel and political economists. Just as Hegel ideally dissolved the human history into his system of universal concepts, so political economy reduced it to an *ideal construct* (cf. Adam Smith), too, by positing its categories and assumptions as eternal, without questioning their historical legitimacy. In order to criticise and overcome this weakness of political economy, therefore, Marx kept emphasising history especially in the works written in the latter half of the 1840s. In the *Ideology* and the *Poverty*, he tried to reconstruct the material relations between men in a given society, which had been changed over time, using the categories of political economy — this is what has been called ‘historical materialism’. But, put in reverse, it was at the same time an exercise of locating the categories in *historical* context; instead of deriving an a-historical concept of ‘production in general’, ‘property in general’, or ‘division of labour in general’ from the *present* relations and, then, postulating history as their realisation, for instance, Marx traced the historically changing forms of production, property, and division of labour, negating their generalisation.⁶⁹ In short, Marx’s critique was one firmly rooted

⁶⁹ This attitude is approved later on: ‘Whenever we speak of production ... what is meant is always production at a definite stage of social development’ (1857 Introduction: 85). But, now, the validity of the generalisation of concepts is endorsed to some extent: ‘*Production in general* is an abstraction, but a rational abstraction in so far as it really brings out and fixes the common element and thus saves us repetition’ (*Ibid.*). This suggests that there was a

in a historical perspective on society (its formation – development – dissolution), but, at the same time, it was obviously criticising political economy from its *outside*.

3.2.2. Political Economy as Anatomy

By implicitly distinguishing history and reality from each other, Marx could find *the historical* still remaining lost in political economy, in spite of the recovery of *the real and material*. However, it is certainly impossible to draw a definite line between history and reality. And, indeed, Marx did recognise that *the deficiency in historicity was crippling political economists' understanding of reality*. According to him, for example, political economy deserved praising for its discovery of the importance of labour — and its reclamation of the determinacy of the material — in modern society, but this labour was understood nothing more than as wage-labour which was merely a form assumed by human labour in capitalist society; further, understanding this historical form of labour as natural and eternal, political economy failed to grasp the specificity of *this* labour in particular, and the capitalist economy in general.⁷⁰

But there is a lot more to be found in the relationship between history and reality. Among others the most crucial is the fact that what Marx would have called the *deceptiveness* of political economy, i.e., its forgetfulness of history — the history behind the formation of the categories and assumptions it took for granted — is not simply about the knowledge of the past; it actually *realises and reproduces itself* not only through everyday operation of the *present* system, but also, more importantly, through the political economists' *illusory* understanding of this operation.⁷¹ This problem cannot be aptly addressed, still less being solved, in the critique of political economy from its outside, or from the *historical* perspective on society (its formation

change, delicate but radical, in Marx's methodology, which will be expounded in the next sub-section.

⁷⁰ It goes without saying that, to perform this critique completely, an *immanent* approach to political economy is needed; i.e., the *categorical* critique. This serves as a (*ex post*) legitimization of what is called here 'methodological transformation'.

⁷¹ 'The whole profundity of those modern economists who demonstrate the eternity and harmoniousness of the existing social relations lies in this forgetting' (1857 Introduction: 85).

– development – dissolution). As is shown in the last excerpt, this critique against the political economy which represents an illusory understanding of history, resorts to the *historical legitimacy* obtained through a ‘truthful’ understanding of history, to the power of objectivity held by the irrefutable (past) *facts* called ‘history’. However, this is a very naïve view of history, if only in light of the generally accepted proposition that history is not a set of past events but an interpretation by a historian. Further, in case the problem of material interests between different ‘interpretations’ is engaged, even if one succeeded in identifying the ‘absolutely objective history’ — to allow this *contradictio in abjecto* for a while —, it would hardly be accepted as it is. In conclusion, history is itself a product of given material interests and, therefore, has to be considered in terms of *how it is (re)-produced in contemporary reality* where such material interests prevail.⁷² This is the limit of the *historical* critique, and the necessity of turning attention to the material *reproductive* mechanism of modern society, not its *historical life-cycle*. Consequently, the significance of political economy, together with the focus of the critique of it, would be defined in a totally different way; now, political economy is the *anatomy* of civil society, and the critique of it is replacing bad anatomies with a good one by clarifying the connection between each part of the whole body.

It is neither possible nor necessary to determine with confidence the exact moment in the development of Marx’s thinking when this double transformation — of the points of view in dealing with society (from history to reality/structure), and with political economy (from instrumental employment to reconstruction) — took place. By contrast, this was not a process that Marx devised with intention and, for this reason, must be understood to have happened slowly for a long time, and without consistency. The early sign of the new perspective was already present in the *Poverty* (1847), the old one did not disappear completely in the *Grundrisse* (1857-8). What can be said with certainty is no more than that *Capital* (1867) was written under the dominance of the new standpoint; here, (modern) society is considered utterly as an organic whole which reproduces itself, and Marx’s critique of political economy is carried out by

⁷² This way of understanding history is to be developed in detail in **Chapter 5, Part II**. And this must not imply that a historical study as such is useless. At the very least, it provides the basic knowledge for the correct approach to the question of the ‘contemporary (re)-production of history’.

way of discovering the laws of the inner dynamics of this society (cf. the ‘Introduction’ to *Capital*). Both before and after the transformation, Marx’s attitude towards political economy can be summarised as ‘critique’, but its content is quite different; whilst it referred to a *negation* of political economy in the former frame, it now aims at a *reconstruction* of it.

Although it is true that the new perspective on society and political economy, and the new direction of the critique of the latter constituted the apex of Marx’s theory of capitalism, the *methodological* transformation was not a result of the inner-theoretical immanence, but of a series of incidents with contingencies. And, here, two crucial moments are to be distinguished. More than anything else, the influence of Pierre Joseph Proudhon must not be ignored. His book on *What is Property?* (1840) earned the Young Marx’s positive attention, and later praised by the Mature Marx for being ‘undoubtedly his best’ (CW20: 26-33). In the *System of Economic Contradictions or the Philosophy of Misery* (1846), Proudhon, positing an antinomy between political economy and socialism, criticised both for employing inappropriate methods to fulfil their goals which Proudhon claimed were one and the same (Proudhon 1846: 45-52). Concerning political economy, in particular, his main point of critique was concentrated on its obsession with ‘facts’, and ignorance of philosophy (cf. *Ibid.*: 89, 86); thus, Proudhon’s purpose was to present political economy in a systematic and lawful way by defining the inner relationship between individual categories with the aid of Hegelian philosophy of contradiction (and Kantian philosophy of antinomy).⁷³ In his polemic against this work of Proudhon, consequently, Marx could have the *first* chance in his life to deal with individual categories of political economy — value, competition, monopoly, division of labour, etc. — critically tracing Proudhon’s line of argument. This is the background that Marx said in the ‘Preface’ to the *Contribution* in which his ‘methodological transformation’ was almost completed: ‘The salient points of our [Engels and himself] conception were *first* outlined in a *scientific* [*wissenschaftlich*] ... form in my *Misere de la philosophie* [*Poverty of Philosophy*]’ (*Contribution*: 22. My italics). However, in the German context at that

⁷³ Actually, Proudhon did not credit Hegel’s influence on himself in the *Philosophy of Misery*; it was Marx who related the two explicitly (Marx 1847), which seems plausible, though, given his close relationship with Proudhon especially when he was staying in Paris in 1843-4 (CW20: 26-33).

time, that is, in the tradition of Hegelian philosophy on the one hand, and that of the Historical School on the other, the *problématique* of ‘critical intervention’ or ‘critical reconstruction’ of British/French political economy appears to have been quite prevalent; for example, Lorenz von Stein wrote the *System der Staatswissenschaft* (Vol. 1, 1852; Vol. 2, 1857) in the first tradition, and Wilhelm Roscher’s *Die Grundlagen der Nationalökonomie* (1852) was remarkable in the latter.⁷⁴

The other crucial moment that determined the ‘transformation’ of Marx’s methodology in the research of society and political economy was his migration to England. After a series of deportation for political reasons since he moved to Paris in October 1843 (Paris → Brussels → Paris → Cologne), Marx at last moved to London in August 1849 to live the rest of his life there. His stay in London provided him with an opportunity to experience the reality — both good and bad — of the most advanced industrial capitalism and, more importantly, the library in the British Museum was there to make a huge amount of governmental documents, and almost all the works of political economy available to him. Marx managed to become a registered reader of the library on 12 June 1850, and resumed his political economic study three months later. One of the most important bridges — and the first one — that led to *Capital*, the *Grundrisse* written in 1857-8, was based on the study since then. Marx later recalled these days as follows:

The publication of the *Neue Rheinische Zeitung* in 1848 and 1849 and subsequent events cut short my economic studies, which I could only resume in London in 1850. The enormous amount of material relating to the history of political economy assembled in the British Museum, the fact that London is a convenient vantage

⁷⁴ Concerning Stein, only one of his books has so far been translated in English (Stein 1850). And, to my knowledge, there are only two remarkable articles on him and his academic achievements available in English; one is Kaethe Mengelberg’s short but comprehensive ‘Introduction’ to the English translation of above book, and the other is Singlemann and Singlemann (1986). And Roscher’s *Grundlagen* was translated in English under the title *Principles of Political Economy* as early as in 1878. Here, he claimed the superiority of the historical method to other — traditional and idealistic — ones, calling the former ‘anatomy and physiology of public economy’ (Roscher 1852: 111-5).

Marx’s attitude to these two is interesting. While what the few references of his to Stein indicate that he was quite favourable to the latter (Mengelberg 1964: 28-31), Roscher who was the representative of the German Historical School, the object of Marx’s lifelong hatred, was ridiculed whenever he was mentioned (e.g., *Cap1*: 325-6; *TSV3*: 502).

point for the observation of bourgeois society, and finally the new stage of development which this society seemed to have entered with the discovery of gold in California and Australia, induced me to start again from the very beginning and to work carefully through the new material. (*Contribution*: 264-65)

The main contents of the ‘methodological transformation’ which took place through above moments are summarised in **Table 3.1**. As most of them have already been discussed so far, a few important points will be added here. Firstly, there is a question of how to deal with history in the new *structural* framework. In spite of the change in the focus of research, the object of Marx’s research has always been modern civil society, and even if it is viewed as a self-reproducing structure, it still remains as a *historical* system. As Marx has always warned, unless one manages to accommodate this historical character of society in his theoretical system, it would be reduced to a bunch of empty concepts (‘lifeless abstraction’). More generally speaking, this is concerned with the problem of how to consider history in the later framework. This will be discussed in **Chapter 5** in detail, but for the time being, it suffices to mention that Marx appears to try to solve this problem mainly in two ways. In the first place, he tends to replace the historicity of modern society, i.e., its ‘*transitoriness*’ on the absolute time horizon, with its ‘(historical) *specificity*’. In other words, capitalism is not a transitional system (from one to another), and therefore not a form of society that has ultimately to collapse and be substituted for another, but is a ‘specific’ form that is ‘different’ from the others and, therefore, a form of society whose specific *modus operandi* has to be studied closely. In this new framework, what matters is not the *history* of the economic categories representing the human relations in civil society, but the *structural relationship* between them therein. It is easily observable how radical this ‘transformation’ was, by simply comparing Proudhon’s statement on which Marx exerted a full-scaled condemnation in the *Poverty*, with Marx’s own argument after the ‘transformation’ advanced to some extent, though this does not mean that Marx came to ‘agree’ with Proudhon:

... we are not constructing a history in accordance with the order of events, but in accordance with the succession of ideas. The economic phases or categories are now contemporary, now inverted, in their manifestation ... (Proudhon 1846: 184).

It would ... be unfeasible and wrong to let the economic categories follow one another in the same sequence as that in which they were historically decisive. Their sequence is determined, rather, by their relation to one another in modern civil

society, which is precisely the opposite of that which seems to be their natural order or which corresponds to historical development. The point is not the historic position of the economic relations in the succession of different forms of society. ... Rather, their order within modern civil society. (1857 Introduction: 107-8).

View on society

- | | |
|------------------------|--|
| (1) An overall view: | <i>A historical system → A given structure. An organic whole</i> |
| (2) Main character: | <i>Historical transitoriness → Historical specificity</i> |
| (3) Focus of research: | <i>Formation/development/dissolution → Reproduction</i> |

View on political economy

- | | |
|--------------------------------------|---|
| (4) Significance: | <i>Destination → Anatomy</i> |
| (5) Way of usage: | <i>Instrumental employment → Reconstruction of it all</i> |
| (6) Point of focus
on categories: | <i>Their historical formation → Their reproduction / Each
considered as both presupposition and result of the whole</i> |
-

[Table 3.1] Marx's 'methodological transformation'

On the other hand, as his various versions of the plan to write a political economic work suggest, Marx seems to have thought he could integrate history in his system by allotting an individual part to history. But, again, it is to be noted that *this* history is the history of theory, not the *real* history. Regarding a theory as a conceptual expression of its contemporary society in principle, and assessing the existing theories of political economy in light of his historical knowledge and insight, Marx tried to rehabilitate history in his critique of political economy *through a detour*.⁷⁵

Another point to be made concerning Marx's 'methodological transformation' is whether the new framework constitutes only a part of the old one, or individualisation of this part. For the 'life-cycle' of society contains its 'reproduction'. However, what

⁷⁵ Indeed, this indicates that now Marx has finally found a way of dealing with history in a *theoretical* way; so far, he only used historical facts negatively to expose political economy's ignorance of it. Moreover, it also demonstrates that now Marx has learned the necessity to locate himself in a given discursive system; hence, the immanent and categorial critique in *Capital* (see § 5.1).

has to be remembered is that, in the ‘life-cycle’ framework, as already been discussed in **Chapter 2**, most questions were raised about the two poles of ‘formation’ and ‘dissolution’, and that the ‘development’ inside civil society was considered mainly as a set of macro-tendencies, a movement that would eventually lead to its dissolution. In other words, here, political economy was employed to identify these tendencies, which is why Marx, while dealing with the concept of value in the *Poverty*, did not need to delve into it further.⁷⁶

It is natural for Marx to approach to political economy from a different perspective as his point of view on society changes. Regardless of how Marx conceives modern civil society, political economy has always been a conceptual representation of it, and understood as such by Marx. And, for this reason, it used to be employed *instrumentally* by Marx who was residing in the historical framework, but now is an object of thorough critique to Marx who is interested in the interior of civil society and, especially, its reproduction. Now his critique of political economy becomes ‘a *Critique of Economic Categories* or, ... a critical exposé of the system of the bourgeois economy. It is at once an *exposé* and, by the same token, a *critique* of the *system*’ (CW40: 270. My italics).⁷⁷ And, to speak of individual categories, rather than their (historical) ‘formation’, their ‘reproduction’ in civil society becomes crucial in the new framework. Further, as long as society is understood an organic whole, each category is deemed to serve as a presupposition for the whole to exist and, at the same time, regarded as a result which is reproduced according to the logic of the whole in its reproductive movement.

⁷⁶ This is why it is hardly relevant to reconstruct the development of Marx’s political economic thinking in such a way that it proceeded from the negation of the law of value to the approval of it, as, for example, Ernest Mandel (1967) does. This is projecting Marx’s later *problématique* onto his earlier stages which developed under a different *problématique*.

⁷⁷ This is taken from Marx’s letter to Ferdinand Lassalle on 22 February 1858.

3.2.3. Conclusion

To conclude, although Marx's 'methodological transformation' was not explicitly outlined and intended, and its process was frequently marked by contingencies, it can be seen to have been in place to the extent that his project of critique of political economy, engaged by him from as early as 1844, fits in better with the new structural perspective on society rather than the old historical perspective. For political economy was a science of the inner structure of civil society, and of its self-reproduction. With the 'transformation', Marx's critique has acquired more coherence, which is the reason why a (*ex-post*) judgement can be rightly made that the latter framework is superior to the earlier one, and why the 'transformation' is not just a 'change' but a '*sophistication*'. Although Marx has never made such a distinction explicitly, the following passages from the *Theories of Surplus-Value* give a hint of the extent to which he was conscious of this matter:

The *formation process* of capital — when capital, i.e., not any particular capital, but capital in general, only evolves — is the *dissolution process*, the *parting product* of the social mode of production preceding it. It is thus a *historical process*, a process which belongs to a definite historical period. This is the period of its *historical genesis* ... The process of capital becoming capital or its development before the capitalist production process exists, and its realisation in the capitalist process of production itself belong to two historically different periods. In the second, capital is *taken for granted*, and its existence and automatic functioning is presupposed. In the first period, capital is the sediment resulting from the process of dissolution of a different social formation. It is the *product* of a different [formation], not the product of its own reproduction, as is the case later. (TSV3: 491-2)

Every pre-condition of the social production process is at the same time its result, and every one of its results appears simultaneously as its pre-condition. All the *production relations* within which the process moves are therefore just as much its products as they are its conditions. (507)

3.3. CONCLUSION

In concluding this chapter, a few points that could not so far have the right space for them are to be made about the development of political economy in general, and Marx's own development in particular.

Firstly, a comment on the expression that society is an ‘organic whole’, ‘organic totality’, or ‘structure’. In spite of the ‘transformation’ thesis presented in this chapter, such a view on society does not belong utterly to Marx’s later thinking after the ‘transformation’; rather, this view was not only held by Marx even when he was very young, but was quite prevalent among the German thinkers at that time. So what is important is *what questions* were actually raised based on the same view. In general, when something is metaphorically called ‘organism’, what is meant is it can be considered as experiencing the same life-process as a living organism does, and this life-process can be viewed in two respects; life-cycle, and metabolism or reproduction. As the ‘transformation’ or ‘sophistication’ thesis suggests, when Marx was in the first, historical framework, even though he was thinking of society as organism, what he had in mind was mainly its *life-cycle*, not its *metabolism* nor *reproduction*; hence, *not* its inner structure. Therefore, for instance, Chris Arthur, one of the leading advocates for a characteristically Hegelian interpretation of Marx’s political economy, is totally wrong when he uses the following sentence in Marx’s ‘Critique of Hegel’s Doctrine of the State’ written as early as in 1843 to support his argument for ‘systematic dialectic’ (Arthur 2002: 3): ‘[The] act of *comprehension* [*Begreifen*] does not ... consist, as Hegel thinks, in discovering the determinations of the concepts of logic at every point; it consists in the discovery of the particular logic of the particular object’ (Critique: 159). While he refers to Marx’s long standing opinion that society is an organic whole, this opinion at this time is very little to do with the ‘systematicity’ in the method of representation that Arthur tries to vindicate, apart from the fact that this statement is so general that there is little inevitability to interpret it as Arthur does. The questions pertaining to Arthur’s ‘systematicity’ arise only in the later framework.

Second, it seems, on the other hand, that the rise of the other aspect of society as organism, i.e., its reproduction, *inner structure between each element*, or *systematicity*, has to do with the identity of Marx’s main opponent at hand. Indeed, compared with Hegel who was an expert in representing the inner structure of an organic totality in a systematic way, the political economists must have appeared poor to Marx; as they did to Proudhon — this lack of systematicity in exposition was the main point the latter wanted to criticise in his *Philosophy of Misery*. This is all the

more so, considering the way political economy had been developed up to Marx's contemporary political economists whom he called 'vulgar (political) economists':

Whereas the classical, and consequently the critical, economists are exercised by the form of alienation and seek to eliminate it by analysis, the vulgar economists, on the other hand, feel completely at home precisely with the *alienated form* in which the different parts of value confront one another; just as a scholastic is familiar with God the Father, God the Son, and God the Holy Ghost, so are the vulgar economists with land—rent, capital—interest, and labour—wages. For this is the form in which these relationships appear to be directly connected with one another in the *world of phenomena*, and therefore they exist in this form in the thoughts and the consciousness of those representatives of capitalist production who remain captive to it. The more the vulgar economists in fact content themselves with translating common notions into doctrinaire language, the more they imagine that their writings are plain, *in accordance with nature* and the public interest, and free from all theoretical hair-splitting. Therefore, the more alienated the form in which they conceive the manifestations of capitalist production, the closer they approach the nature of common notions, and the more they are, as a consequence, in their natural element. (TSV3: 502-3. More italics added.)

Marx's slightly altered quotation of Goethe, 'Where concepts are absent, words are brought in as convenient replacements' (*Capital*: 161n), was really offered for the benefit of the vulgar economists who, where they had to conceptualise the 'phenomena', and to analyse them to find out the inner connection between them, were preoccupied with doctrinising them into commonsensical 'words' — 'the fantasies of a *locus communis*' (1857 Introduction: 85; cf. *Grundrisse*: 893). It was not only that the vulgarity of Marx's contemporary political economists was expressed in their inability to conceptualise, or to understand the inner connection between the concepts they had; as already corroborated, behind this inability was their ignorance of real history. On top of that, their total ignorance of *their own* history also obstructed political economy from developing in a scientific way.⁷⁸

⁷⁸ This is strikingly evident in political economy's new name, 'economy' or 'economics'; considering the historical and social context where it first came into existence expounded briefly in the first section of this chapter, this re-naming simply reflects economics' total ignorance of its *own* history, not just *real* history. Compared to this, Marx's distinction between the method of investigation and that of representation appears even more brilliant, for he derived this insightful distinction from the history of political economy itself — a derivation of a meaningful insight from an unconscious process proceeded by the older

Let me point out ... that by classical political economy I mean all the economists who, since the time of W. Petty, have investigated the real internal relation [*inner Zusammenhang*] of bourgeois relations of production, as opposed to the vulgar economists who only flounder around within the appearances of that relation, *ceaselessly ruminate on the materials long since provided by scientific political economy*, and seek there plausible explanations of the crudest phenomena for the domestic purposes of the bourgeoisie. (*Capital*: 174-5n. My italics.)⁷⁹

In short, the *vulgar* political economy in Marx's time, according to Marx, was incompatible to get hold of its own history, the history of its object of study — civil society — and, as a result, the inner structure of this object, all of which led them to a totally false and illusory representation of the capitalist economy. On the other hand, as for *classical* political economy, the *basic* task was clarifying what it did achieve, what it did not and, most importantly, to use Louis Althusser's expression, what it did not see even though it had found them because of its lack of 'vision' (Althusser and Balibar 1968: 116-8). From this, a rough direction of Marx's critique of political economy is to be derived: it is to radicalise the achievements of classical political economy, fully illuminating their scientific significance on the one hand, and to embed political economy back into the three terrains of its own intellectual history, real history, and contemporary reality, on the other; ultimately 'to reveal the economic laws of motion of modern society' (*Capital*: 92).⁸⁰

Third, in this respect, Marx's 'methodological sophistication' was *in itself* a critique of political economy that was getting more and more vulgarised. Put differently, Marx's version of political economy formed through the 'sophistication' marked a *critical recovery* of the *critical content*, together with its *embeddedness in society* which made classical political economy critical, that had been shared by those he called the '*classical*' political economists (cf. §3.1.1). In this sense, Marx's critique of political economy by way of the 'sophistication' was in principle a reclamation of the validity of political economy as the proper study of the real material relations in civil

generations of the political economists. See the first passages of the third section ('3. The Method of Political Economy') of the '1857 Introduction'.

⁷⁹ Ben Fine: '[T]here have been very few, if any, new ideas in economic theory since the time of Adam Smith' (Fine 1982: 7).

⁸⁰ More discussion on the main characters of his critique of political economy in general is to be found in §5.1.

society and, here, it was never been forgotten that these relations were but a materialisation of *human* relations.⁸¹ This is very important because it points to the ‘peculiar’ status of Marx’s political economy *vis-à-vis* contemporary neoclassical economics which is deemed to deal only with the narrowly defined sphere of society which is called ‘economy’ as distinct from the other social spheres of ‘politics’ and so on. Contrary to this, Marx’s critically recast political economy has to be understood as general social theory on the material relations of modern society, which, it is hoped, has been suggested from the discussion of Marx’s intellectual journey which was called ‘a process of successive *Aufhebung*’ in **Chapter 1**, and of the historical, social, and intellectual circumstances of political economy in the first section of this chapter.

Lastly, the ‘transformation’ or ‘sophistication’ thesis presented here puts into question the generally accepted interpretation of the *Grundrisse*. As already mentioned, this so-called first *draft* of *Capital* contains a lot of pre-‘sophistication’ elements as well as the innovative contents that characterises the later framework. Given this, the *Grundrisse* might be the conclusion of Marx’s political economy prior to the ‘sophistication’ as well as it is the (first) draft of *Capital*, at the very least. This will be more developed in the next chapter with a special light cast on Marx’s notorious ‘plan’ of the political economic work. More generally, the next chapter is to be concerned with Marx’s changing view on the world market, based on the ‘sophistication’ thesis proposed in this chapter.

⁸¹ Indeed, this is exactly the issue Marx was to raise with the concept of ‘fetishism’. Full argument on it can be found in the last section (‘4. The Fetishism of Commodities and the Secret thereof’) of the first chapter of *Capital*.

CHAPTER FOUR

MARX'S CONCEPTUALISATION OF THE WORLD MARKET

This chapter, unlike preceding ones, directly concerns the main object of this thesis, the *world market*. How did Marx conceptualise it, and what status does it occupy in the whole corpus of his theory? Does its significance change over time and, if so, how? These are the questions to be addressed and answered, directly or indirectly, in this chapter.

On the other hand, the discussion of the world market in this chapter is in itself an example of the 'methodological sophistication' thesis proposed in the last chapter; thereby, the content and meaning of the 'sophistication' will become more evident and realistic. However, if one can say that '*globality*' is one of the most essential properties that distinguish capitalism as a mode of social reproduction from other (historical) forms of social organisation, and if especially in the case of Marx this globality is concretised in the concept of the world market, this chapter is much more than an example. The concept of world market to be developed here will be the basis for **Part II** which will be more positively engaged with extending Marx's political economy with respect to this concept.

In the first section, the general intellectual context concerning the world market will be expounded to a necessary degree. It will be demonstrated that, by the latter half of the 18th century, West European thinkers of the modern began to deal with the global material movement of the modern world seriously, and conceive '*globality*' as a decisive property of modern society which distinguished it from other forms of society. In the second section, two concepts of Marx's world market will be identified distinctly. Firstly, the world market is represented both as the historical entity and the concept into which the latest developmental phase of the material dynamics of modern society is aggregated and summarised. However, the significance Marx ascribes to the world market is never fixed; as his 'methodological sophistication' proceeds the concept of the world market also changes, which will imply that it is eventually established and presented as a category of political economy in Marx. In the last section, concluding remarks of **Part I** as well as this chapter will be given.

4.1. THE WORLD MARKET AS AGGREGATION OF THE MATERIAL DEVELOPMENT IN MODERN SOCIETY

In **Chapter 2**, it was argued that Marx's quest for the real and the material in social processes took him from philosophy, jurisprudence and politics to political economy, and that this intellectual journey finished as he drew his attention to the meaning of the *real* emergence of the world market. But it was not only Marx who saw the emerging global, and tried to apply a 'world-historical' significance to it whatever it might be called. This section will be concerned with a broader West European intellectual background of the thinking of the global, and how it evolved over time. It will be instrumental in assessing to what degree Marx as a global thinker was a child of the times, and how innovative his thought on the global was (§ 4.2.3). Then this discussion will necessarily lead us to today's 'globalisation' debate (§ 4.3).

4.1.1. 'The World Economy' versus 'A World-Economy'

Fernand Braudel is not only one of the most influential figures in twentieth century historiography, but also one of those who gave the word 'world' currency in social and historical scholarship. He opened the last volume of his three-volume masterpiece, *Civilisation matérielle, économie et capitalisme, XV^e~XVIII^e siècle* by distinguishing 'the world economy' from 'a world-economy':

The world economy [l'économie mondiale] is an expression applied to the whole world. It corresponds, as Sismondi puts it, to 'the market of the universe' [le marché de tout l'univers], to 'the human race, or that part of the human race which is engaged in trade, and which today in a sense makes up a single market'.

*A world-economy (an expression which I have used in the past as a particular meaning of the German term *Weltwirtschaft*) only concerns a fragment of the world, an economically autonomous section of the planet able to provide for most of its own needs, a section to which its internal links and exchanges give a certain organic unity. (Braudel 1979: 21-2)*

Above distinction is quite useful, especially because it casts a guiding light on how to view so many discourses on the world that are observed even in ancient texts, and on how they differ from what we mean by the term ‘world (market)’ here. Indeed, human beings have always talked about the ‘world’, not only ‘economically’ but variously: ‘There have been world-economies, if not always, at least for a very long time—just as there have been societies, civilizations, states and even empires’ (Braudel 1979: 24).⁸² Even in Ancient Greek, people thought they were living in a kind of a ‘world’, or a ‘macrocosm’, which included and transcended the domain of their everyday lives, and constituted more or less a — economic and/or political — ‘unit’; thereby, they have developed ideas about the world. Such ideas were of course a product of the material development in reality, and did include some genuine insights about the world in some respects. And this is why Patrick K. O’Brien praised in his seminal article Herodotus for having addressed the tasks for global historians today:

Global histories have been written since Herodotus (495-425 BCE), whose cosmopolitan concerns were commended by Cicero [106-43 BCE]. . . Global historians will applaud Herodotus for the scale, scope and empathy of his histories; his reflexive interest in barbarian virtues as well as Greek vices; and regret the long hiatus that occurred in the writing of *secular* world histories until Voltaire and his generation carried the project forward again during those brief decades of Enlightenment before the outbreak of the French Revolution. (O’Brien 2006: 7-8)

Of course, it is also possible to dismiss, as Bruce Mazlish, another prominent global historian does, such a long history of the discourse on the global as being mythical or simply visionary (*e.g.*, Mazlish 1998a; 1998b). But, both O’Brien and Mazlish may well agree that it was only in modern times that the old thoughts about the world at last found their real material basis and, on this basis, met with a new moment of

⁸² This differs from Immanuel Wallerstein’s view. Braudel distinguishes himself from Wallerstein as follows: ‘A fine description of the problem is to be found in Immanuel Wallerstein’s recent book, *The Modern World-System*. . . Our points of view are basically identical, even though Wallerstein believes that the only world-economy was the European one, which was not founded until the sixteenth century, whereas I believe that by the Middle Ages and even in antiquity, long before Europeans knew that world in its totality, the globe was already divided up into more or less centralized and more or less coherent economic zones, that is, into several world-economies that coexisted. . .’ (Braudel 1977: 82, 83)

development; hence *the* world economy, ‘a true world-wide economy’ (Braudel 1977: 93).

4.1.2. The ‘Globality’ of Modern Society: The Emergence of the World Market

Although Braudel in the above excerpt seems to give credit to Sismondi for the term ‘the world economy’ or what he called ‘the market of the universe’, he was neither the only nor the first to draw attention to such a concept. Instead, generally speaking, the ‘globality’ of modern world had been an important and popular theme of discussion amongst intellectuals well before Sismondi published *Nouveau principes d’économie politique* in 1819 from which Braudel took the expression ‘the market of the universe’.

It is a matter of fact that the thinking about the world, or the universalist thinking in general, has long been in place in West European intellectual history from Ancient Greece onwards, and notably in the Christian era. But it was only in the latter half of the nineteenth century that the whole world came to the general public’s mind as a single unit for the first time in (West European) history, and practical men acted literally ‘globally’. Of course, there were some sensible people who began earlier than others to speculate seriously and systematically over the human-historical implication of the new age they were witnessing.

On the other hand, the formation of the world or globality in terms of material development well precedes its intellectual appropriation; it always takes time for the thinking mind to understand the meaning of real development, and appropriate it in its own way. For example, Marx and Engels estimated its inception to be around the 15th and 16th centuries when the revolutions in the means of transport and communication, and Europeans’ discovery of the ‘new’ continents had taken place, and today’s economic historians including ‘World Systems’ analysts also have a similar view. In this sense, it is rather natural that the actual agents—and those men of letters around them—of the new material movement, *i.e.*, men in real business or in government administration, who not only thought but *acted* ‘globally’, were quicker and more desperate to try to understand what was going on around them. This partly explains

why political economy was first developed in the form of mercantilism around such themes as money and trade, and why it flourished in those small commercial centres like Italian cities (cf. Smith 1776: 426). It might suffice here to remind Thomas Mun (1571-1641) whose posthumous book, *England's Treasure by Forraign Trade* (written in *ca.* 1630) Adam Smith praised as 'a fundamental maxim in the political œconomy, not of England only, but of all other commercial countries' (Smith 1776: 434-5), was not only a merchant in Mediterranean trade, but later became a committee member of the East India Company. And it may be even more interesting to find that the same kind of wonder as we would have in the age of globalisation is shared by a 17th century Italian astronomer and political economist, Germiniano Montanari (1633-87):

Intercourse between nations spans the whole globe [*globo*] to such an extent that one may almost say all the world [*mondo*] is but a single city in which a permanent fair comprising all commodities is held, so that by means of money all the things produced by the land, the animals and human industry can be acquired and enjoyed by any person in his own home. A wonderful invention! (Montanari 1683: 40; as translated and quoted in CW29: 165 and 384)

However, more dramatic is the fate to befall to Montanari's sheer wonder, not least since the early 19th century. As globality developed and became more materialised in various ways; as novelty surrendered to banality; as, in brief, globality came to be regarded as a *normal* social condition, the way it was received and discussed 'changed', to say the least, or, was 'vulgarised', to employ Marx's stronger expression (see § 4.1.3).

First of all, it is notable that West European thinkers of the global in the late 18th and early 19th centuries debated it quite seriously. Basically they perceived it as a defining feature of newly emerging modern society, and sought its implication to the development of humanity from a long-term historical perspective. Moreover, their thought on globality was on the one hand a product of their serious engagement with reality and, on the other, a necessary development of their more fundamental ideas on human-beings and their existence in society such as liberty, right and equality; this is why their problematisation of globality was literally *radical* and *critical*. In Germany alone, there were Immanuel Kant (1724-1804), Johan Gottfried Herder (1744-1803) and G.W.F. Hegel (1770-1831). Kant discussed the possibility of cosmopolitan

republic based upon peace not war (Kant 1795); Herder, dealing with Asian canonical and literary works, developed a point of view which we might call cultural relativism today (Herder 2002); and, lastly, Hegel reformulated human history from as far-away as China, and as far-back as Ancient Greece to his own time into one single framework (Hegel 1822, 1828, 1830).⁸³ For example, Kant emphatically declares in *Toward Perpetual Peace* in 1795:

Since the (narrower or wider) community of the nations of the earth had now gone so far that a violation of right on *one* place of the earth is felt in *all*, the idea of a cosmopolitan right is no fantastic and exaggerated way of representing right; it is, instead, a supplement to the unwritten code of the right of a state and the right of nations necessary for the sake of any public rights of human beings and so for perpetual peace; only under this condition can we flatter ourselves that we are constantly approaching perpetual peace. (Kant 1795: 330-1)

As the above passage shows, the global thinkers at that time tried with their ideas on the globality of modern society to address some questions of their own time in a specific way—the questions which had arisen and posed in the older, pre-modern framework, but which were to be solved only at the dimension facilitated by the newly emerging possibilities, namely, the questions concerning *how to (re-)organise the global order in a peaceful and egalitarian way?*⁸⁴ Globality as a *differentia specifica* of modern civil society that distinguishes it from previous and, then, other contemporary forms of society provided them with a way to tackle those questions.

⁸³ In a sense, this intellectual advance in Germany was a response to that made earlier in France, notably by Voltaire (1694-1778), Denis Diderot (1713-84), Abbé Raynal (1711-96), etc.; see Mah (2002; 2003) and Muthu (2003). For Enlightenment historiography in general, Wright (2002) is useful. Muthu (2003), K. O'Brien (1997) and Pitts (2005) deal with some individual thinkers of the late-18th and early-19th centuries focusing upon their thoughts on the global.

⁸⁴ It is worth remembering here that Kant was living in a Germany severely devastated by a series of wars; amongst others, the miseries of the Thirty Years' War in 1618-48 which had swept 30% of the population away were still around, and the Seven Years' War in 1754-63 whose main battlefields in Europe had been on German soil just came to an end.

Second, it would be interesting to notice Kant, the philosopher who spent his whole life in a small German town Königsberg,⁸⁵ finds the ground for the above argument in the development of commerce, if not entirely:⁸⁶

It is the *spirit of commerce*, which cannot coexist with war and which sooner or later takes hold of every nation. In other words, since the *power of money* may well be the most reliable of all the powers (means) subordinate to that of a state, states find themselves compelled (admittedly not through incentives of morality) to promote honourable peace . . . (336-7)

Indeed, it appears that *commerce* was quite generally thought of as the driving force to make the world global and reorganise it on the basis of peace, not war, amongst many of prominent late-18th century thinkers. Istvan Hont identifies David Hume (1711-76) as one who ‘supplied clear analytical and historical clues for’ such an understanding:

Like a number of other leading thinkers in the eighteenth century, Hume argued that trade and war followed fundamentally different logics. Prospectively, war was a one-way affair, with a winner and a loser; trade, on the other hand, was inherently based on reciprocity. Though not altruistic, it could only continue on the basis of mutual benefit. (Hont 2005: 6)

In the same vein argued Hume’s contemporary Sir James Steuart (1712-80), being also Adam Smith’s Scottish predecessor and ‘the first Briton to expound a general system of bourgeois political economy’ (CW29: 297).⁸⁷

The great alteration in the affairs of Europe . . . by the discovery of America and the Indies, the springing up of industry and learning, the introduction of trade and the

⁸⁵ Stephen Toulmin argues this geographical condition was advantageous to people like Kant: ‘Away from active centers of politics and religion, undisturbed by the pressures of nationalism, an Immanuel Kant could go his own way at home more easily than in Rome, London, or Berlin’ (1992: 145).

⁸⁶ Of course, Kant’s debate on peace can be contextualised otherwise; e.g., Otfried Höffe (2000).

⁸⁷ Marx pays extra attention to this aspect of Steuart when he deals with ‘world money’; see Steuart (1767(III): 216) and Marx (CW29: 397-98; CW35: 155).

luxurious arts, the establishment of public credit, and a general system of taxation, have entirely altered the plan of government every where.⁸⁸

From feudal and military, it is become free and commercial. I oppose freedom in government to the feudal system . . . I oppose commercial to military; because the military governments now are made to subsist from the consequences and effects of commerce only, that is, from the revenue of the state, proceeding from taxes. Formerly, every thing was brought about by numbers; now, numbers of men cannot be kept together without money. (1767(I): 13-4)

At last, Adam Smith declares in his *Wealth of Nations* (1776: 412):⁸⁹

[C]ommerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbours, and of servile dependency upon their superiors.

Third, given the two points made above, it appears even natural that Marx employed the rather misleading term ‘world market’ to denote the globality of modern society (cf. Fine *et al.* 2010). Indeed, such was quite a general term amongst political economists of the 17th~early-19th centuries: ‘the whole *Commercial World*’ (Petty 1676: 295, 297, 311, 312), ‘the universal commercial republic extending over different countries’ [*la république commerçante universelle répandue dans les différents pays*] (Quesnay 1766: 76), ‘the market of the universe’ [*le marché de tout l’univers*] (Sismondi 1819: 205, 276, 304, 562) etc. were used by leading political economists, though in different contexts.⁹⁰ To them, it might have appeared obvious that globality was being realised in the form of the *market* whose scale and complexity had never been known.

⁸⁸ This bears resemblance with what Marx calls elements of ‘primitive accumulation’. For full discussion, see Perelman (1983a; 1983b).

⁸⁹ ‘In the eighteenth century the idea of a civilising role for commerce—the idea of *doux commerce*—dominated over the pessimistic thesis of commerce having a destructive influence on social cohesion’ (Roncaglia 2005: 86). On the other hand, John Stuart Mill also mentions this beneficial role for commerce of ‘the principal guarantee of the peace of the world’ (1987[1871]: 582).

⁹⁰ For full discussion and excerpts from classical political economists, see Nobuyoshi Nakagawa’s series of articles (Nakagawa 1999-2003).

4.1.3. The ‘Nationalisation’ of the Global: Globality in 19th Century Europe

The fourth characteristic feature of the development of the West European thinking of the global is that, as hinted above, the radical and critical engagement with globality in the late-18th and early-19th centuries, as well as the sheer wonder about it, died out as time went on. The more fully this feature developed, the more did it appear to even the most ordinary eyes to be a concrete material power that nobody can deny or escape from; the more people were drawn into the global network in some way or another or, put differently, the more practical interests—both in quantity and quality—people got to have in the global network they somehow belonged to, the more difficult did it become for even the most scientifically inspired minds to deal with globality as critically and radically as their predecessors used to. In this process, globality appeared more and more impersonal and alienated power outside them as if it had been there from the beginning of history, and people began to simply assume it, rather than critically confront it. This is exactly what Marx called ‘vulgarisation’ of a science [*Wissenschaft*]. In the ‘Afterword to the Second German Edition’ (1873) of *Capital*, Volume I, he said:

In so far as Political Economy remains within that [bourgeois] horizon . . . *political economy can remain science only so long as the class struggle is latent or manifests itself only in isolated and sporadic phenomena.* (CW35: 14. My italics.)

According to Marx, the character of political economy decisively changed around 1830. While, before that, the class struggle in England was not yet matured enough and, thanks to this, debates in political economy could remain ‘unprejudiced’, ‘[w]ith the year 1830 came the decisive crisis’, and the escalating class struggle at last ‘sounded the knell of scientific bourgeois economy’:

In France and in England the bourgeoisie had conquered political power. It was thenceforth no longer a question, whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. (CW35: 15)

[Vulgar economy] deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy, and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use, but for the rest, confines itself to systematising in a pedantic way, and proclaiming for

everlasting truths, the trite ideas held by the self-complacent bourgeoisie with regard to their own world, to them the best of all possible worlds. (CW35: 92n)

Just as Marx ascribed the root of the ‘vulgarisation’ of the scientists of *domestic* society to their blindness caused by the increasing influence of ‘class interests’ on the formation of the social relation, it might well be said by the same token that similar ‘vulgarisation’ in the *global* dimension was brought about by the advancement of the so-called *national interest* almost at the same time. This appears inevitable, considering in modern times the state was (re-)formed at the ‘national’ level, not only internally but *externally*. Indeed, the development of globality and the formation of the modern nation state were in fact two opposite sides of the same coin for a long time. This is why Adam Smith appears ambivalent on the effect of commerce, recognising that ‘although commercial reciprocity might prevent the use of war as an instrument of economic aggrandizement, world markets would still continue to exhibit warlike ruthlessness’ (Hont 2005: 7).⁹¹

It seems that the nationalism of commerce—imperialism, colonialism and monopoly—has taken the upper hand by the early-1830s, notably in Britain (and France). In parallel, a radical transformation of the way to approach the global took place, namely, the domestication and the politicisation of the discourses on the global. Amongst others, the changing way that the idea of free trade was deployed over time is remarkable. In Adam Smith’s system of the 1760s and 1770s, this idea was proposed as an instrument for realising more generic values like civil liberty and, therefore, as the executor of ‘a civilising role for commerce’. This was also how it was received by his contemporaries (Roncaglia 2005: 150).⁹² After a few decades, however, it came to be employed not only as a means to justify imperialism (Pitt 2005), as the expression ‘free-trade imperialism’ plainly reveals (Gallagher and

⁹¹ ‘Mercantile jealousy is excited, and both inflames, and is itself inflamed by, the violence of national animosity’ (Smith 1776: 496).

⁹² For an explanation of how Adam Smith’s ‘real sentiments’ were misunderstood, see Rothschild (2002: 66-71). ‘Smith’s support for free trade in corn was of great importance to his nineteenth-century renown as an enemy of the poor. But his own argument was that free trade would prevent famine and palliate scarcity. He was not concerned, here, with exceptions to a supposedly cruel “system of freedom”; he believed, as did Turgot and Condorcet, that freedom is much less cruel for the poor than the policies of oppressive and ill-informed governments’ (69-70).

Robinson 1953), but also as a political slogan for arguably the first national movement in Britain, the Anti-Corn Laws Movement (Howe 2007), contributing enormously to the formation of British nation and nationalism. It was in this context of the nationalisation of the discourses on free trade that Marx, charting the various ways the free trade discourses in the 1830s and 1840s were exploited by a specific social class, the capitalist, demonstrated in his address ‘On the Question of Free Trade’ in early 1848 how badly the idea of free trade was captivated by the domestic class and ‘national’ interests (CW6: 450-65).⁹³

Of course, such a transformation in the realm of ideas is an expression of more fundamental changes in reality. Jennifer Pitt enumerates a few key factors in relation to liberalism’s ‘turn to empire’ in the early-nineteenth century. According to her, the abolition of slavery in Britain and France by the first half of the century removed the main moral obstacle to liberal thinkers’ embracing empire, and endowed Europeans with ‘civilizational confidence’ and a feeling of their national superiority over other cultures; and the stabilisation of domestic politics—in Marx’s term, the bourgeoisie’s ‘conquer’ of political power—and economic development gave them institutional and material grounds for insisting the so-called civilising effect of their imperialism over the rest of the world (Pitt 2005: 11-21; see also Stedman Jones 2007: 186-96).⁹⁴

Sixth, while these changes must have made it easier for intellectuals to come to terms with empire, they did transform how people interacted with one another, and how the whole system worked. This is what the Cambridge historian C.A. Bayly (2002; 2004; 2005) would call ‘the *nationalization* of interactions across the emerging modern world’ (2005: 14. My italics).⁹⁵ Basically, he periodises the history of globalisation

⁹³ The concluding words of Marx’s address well remind us of the original meaning of free trade—in the context of the ‘civilising role for commerce’—and the way how it has been degraded in the capitalist social formation: ‘But, in general, the protective system of our day is conservative, while the free trade system is destructive. It breaks up old nationalities and pushes the antagonism of the proletariat and the bourgeoisie to the extreme point. In a word, the free trade system hastens the social revolution. It is in this revolutionary sense alone, gentlemen, that I vote in favor of free trade’ (CW06: 465).

⁹⁴ Observe that these are the same circumstances in which Marx thought the class struggle between capital and labour came to the fore around the year of 1830.

⁹⁵ On this theme, see also Viaene (2008).

into three phases which, however, are not discretely separable from one another: ‘archaic’ globalisation whose origins might be traced back to the tenth or even earlier centuries, ‘proto-capitalist’ globalisation which ‘began in the Atlantic system in the seventeenth century and spread to much of the rest of the world by 1830’ (2005: 17) and, ‘European-dominated internationalism’⁹⁶ which began to emerge *circa* 1815. Insisting the core elements of the earlier globalisation(s) do remain in the later one(s) in specific forms, he especially stresses that, with the transition from the second phase to the third, the initial ‘global’ connections amongst various peoples were ‘reconstructed by the system of nation-states’ into ‘international’ connections by the first half of the nineteenth century (2005: 22). Of course, this reconstruction manifested itself in a number of ways. For instance,

[O]lder and looser links of global trading [eventually] gave way to more formal commercial conventions between nations. . . . But as political and industrial leaders sought to protect their economies by tariff agreements, the nation-state inevitably became the key actor in an international economy. This led to increasingly formal trading arrangements. The old system of honorary consuls or consultation by local rulers with the headmen of “guest” merchant communities was replaced by networks of commercial consulates and international economic treaties. The growth of the Western-dominated world economy in the course of the nineteenth century, therefore, produced a paradox.⁹⁷ On the one hand, the movement of capital became more complex. Long-range direct investment meant that businessmen from many different countries worked together to form and invest capital. On the other hand, states became increasingly worried by such flows of capital and attempted to control the firms and their capital. During the Anglo-Boer crisis, for instance, British politicians panicked over the way in which international firms were supposedly perverting the course of international stock markets and capital flows were strengthening. At the same time, national controls on the location and use of capital became stronger with the development of the national patent and the idea of the national head office. (Bayly 2004: 238)

In the end, this newly constructed ‘*nationalised internationalism*’, as opposed to ‘*cosmopolitan globalism*’ championed by the early thinkers of the global, may well be said to be the real nature of the capitalist international relation, not least given Marx’s discussion that follows. On the other hand, the trajectory of the West European

⁹⁶ This is Jerry H. Bentley’s expression (2005: 5).

⁹⁷ Nikolai Bukharin (1917) identifies preventing this paradox as one of the main driving forces for great powers to form their own autarky-like imperialist block economy.

thinking of the global expounded thus far can be extended to include recent debate over ‘globalisation’ (§ 4.3).

4.2. THE WORLD MARKET IN MARX: BEFORE AND AFTER ‘METHODOLOGICAL SOPHISTICATION’

In this section all the previous discussions will be put together: Marx’s early intellectual development which eventually led him to political economy, the discovery of the world market as the real entity that he thought epitomised the material development up until then and, lastly, Marx’s deepening engagement with political economy that resulted in ‘methodological sophistication’. In this sense, this section is not merely an example of ‘methodological sophistication’ exposed in the previous chapter, but, more importantly, the conclusion of the first half of this thesis.

4.2.1. The Historical Significance of the World Market

Not to mention, Marx’s concept of the world market, or his ideas on the global in general can and should be better understood against the broader background occasioned by his predecessors such as the French Enlightenment *philosophes*, Kant, Herder and, more than anyone else, Hegel. Admittedly, Marx’s way of succeeding them was not by directly engaging himself with them but by sharing what may be called the *Zeitgeist* with them. Given the discussion in the previous section, one can justly conclude that West European thinkers of the global before the ‘vulgarisation’ centred on highlighting its *historical* significance. As briefly mentioned above, in Germany, the debate on the global of modern world was performed by Kant, Herder and, then, Hegel. Indeed, Hegel may well be called the philosopher of the world; by constructing his philosophical system with the ‘world’ categories such as world history, world constitution, etc. at the ‘world’ horizon, he did show one of the peak points of the understanding of the world in his time. He concluded that it was only at

the ‘world’ level that the full realisation of reason, or the full development of human history was possible.

It was in the course of criticising Hegel that Marx first came to be involved in the debate on the global. As seen in **Chapter 2**, although having begun his intellectual life under the strong influence of a group of Young Hegelian intellectuals in the late-1830s, Marx soon became fed up with Hegelian way of representing reality, and impotence and opportunism in tackling real issues. In principle, Marx’s discontent with Hegel came from his ideal and transcendental conceptualisation of man and his existence in society. Thus, Marx alternatively went on to devise a different way of understanding man—understanding him in the ensemble of the material conditions and relations around him with no *a priori* definition. However, when his criticism of Hegelianism in general reached its apogee in the mid-1840s, his dissent against (Hegelian idealist) philosophy was so strong that he came to dismiss all kinds of conceptualised results of the thinking mind altogether. Instead, he sought to substitute them with anything real and, at last, even thinking itself was replaced—by practice (CW5: 50-4). It was in this context that Marx drew his attention to the world market and employed it in a meaningful way for the first time in his life in the *German Ideology* of 1845-46:

In history up to the present it is certainly . . . an empirical fact that separate individuals have, with the broadening of their activity into world-historical activity, become more and more enslaved under a power alien to them (a pressure which they have conceived of as a dirty trick on the part of the so-called world spirit [*Weltgeist*], etc.), a power which has become more and more enormous and, in the last instance, turns out to be the world market. But it is just as empirically established that, by the overthrow of the existing state of society by the communist revolution (of which more below) and the abolition of private property which is identical with it, this power, which so baffles the German theoreticians, will be dissolved; and that then the liberation of each single individual will be accomplished in the measure in which history becomes transformed into world history. From the above it is clear that the real intellectual wealth of the individual depends entirely on the wealth of his real connections. Only this will liberate the separate individuals from the various national and local barriers, bring them into practical connection with the production (including intellectual production) of the whole world and make it possible for them to acquire the capacity to enjoy this all-sided production of the whole earth (the creations of man). All-round dependence, this primary natural form of the world-historical co-operation of individuals, will be transformed by this communist revolution into the control and conscious mastery of these powers,

which, born of the action of men on one another, have till now overawed and ruled men as powers completely alien to them. Now this view can be expressed again in a speculative-idealistic, i.e., fantastic, way as “self-generation of the species” (“society as the subject”), and thereby the consecutive series of interrelated individuals can be regarded as a single individual, which accomplishes the mystery of generating itself. In this context it is evident that individuals undoubtedly make one another, physically and mentally, but do not make themselves . . . (CW5: 51-2)

From the above excerpt, all the main features of Marx’s theoretical ‘correction’ of Hegel can be found; (i) the replacement of Hegelian ideas by its *real* equivalents, (ii) Marx’s own explanation of how the real historical processes are idealised and fantasised into ‘self-generation of the species’ in the brains of the Hegelians, (iii) Marx’s attempt not to conceptualise real development but to accept it simply as it is, etc. To sum up, the Hegelian idea, ‘the world spirit’, is replaced by its real equivalent, the real emergence of the world market as understood ‘an empirical fact’.⁹⁸

Firstly, since Marx equates man’s development with ‘the wealth of his real connections’, and since the establishment of the world market denotes the latest stage in the development of human society, man can have an opportunity to be elevated to a higher, ‘world historical’ being with ‘all-round dependence’ in the world market. However, secondly, man’s suffering in modern capitalist conditions is also heightened only in the world market: ‘[S]eparate individuals have . . . become more and more enslaved under a power alien to them . . . a power which has become more and more enormous and, in the last instance, turns out to be the world market’. Then, the world market for Marx at this time is a space similar to biblical purgatory that sinful man has to pass through before being allowed to go to Heaven.

What the real formation of the world market can tell us is simply that the development of human beings has reached a certain limit point and, thus, that they are given a *possibility* to be emancipated. To appreciate the conditions for the realisation of this

⁹⁸ ‘[T]his transformation of history into world history is by no means a mere abstract act on the part of the “self-consciousness”, the world spirit, or of any other metaphysical spectre, but a quite material, empirically verifiable act, an act the proof of which every individual furnishes as he comes and goes, eats, drinks and clothes himself’ (CW05: 50-1). ‘[T]he extension of markets into a world market, which had now become possible and was daily becoming more and more a fact, called forth a new phase of historical development’ (CW05: 69).

possibility, however, we have to go back to the world market again. Hence the third significance of the world market; the world market is viewed as the only field where the *totality* of modern society can be fully grasped. It is only at the dimension of the world market that the most wretched social class in capitalist society, namely the proletariat, can be observed and, therefore, that not only the meaning of its formation but also of its most important practice, the communist revolution, is properly tested.⁹⁹

This “estrangement” [*Entfremdung*] (to use a term which will be comprehensible to the philosophers) can, of course, only be abolished given two *practical* premises. In order to become an “unendurable” power, i.e., a power against which men make a revolution, it must necessarily have rendered the great mass of humanity “propertyless,” and moreover in contradiction to an existing world of wealth and culture; both these conditions presuppose a great increase in productive power, a high degree of its development. And, on the other hand, this development of productive forces (which at the same time implies the actual empirical existence of men in their world-historical, instead of local, being) is an absolutely necessary practical premise, because without it privation, *want* [*Mangel*] is merely made general, and with *want* [*Notdurft*] the struggle for necessities would begin again, and all the old filthy business would necessarily be restored; and furthermore, because only with this universal development of productive forces is a *universal* intercourse between men established, which on the one side produces in *all* nations simultaneously the phenomenon of the “propertyless” mass (universal competition), making each nation dependent on the revolutions of the others, and finally puts world-historical, empirically universal individuals in place of local ones. . . . Empirically, communism is only possible as the act of the dominant peoples “all at once” and simultaneously. . .

Moreover, [the emergence of] the mass of workers who are *nothing but workers*—labour-power on a mass scale cut off from capital or from even a limited satisfaction [of their needs] and, hence, as a result of competition their utterly precarious position, the no longer merely temporary loss of work as a secure source of life—presupposes the *world market*. The proletariat can thus only exist *world-historically*, just as communism, its activity can only have a “world-historical” existence. World-historical existence of individuals, i.e., existence of individuals which is directly linked up with world history. (CW5: 48-9)

In the end, the world market in Marx’s early works signifies not merely the most developed—historically and empirically—form of the capitalist economy, but rather the best measure of the latter’s development itself; this is also how he subscribed to

⁹⁹ See also Engels’s ‘The Constitutional Questions in Germany’ (CW06: 75-91) and ‘The Principles of Communism’ (WC6: 341-57) written in 1847.

his preceding thinkers of the global. Appearing first in the *German Ideology* of 1845-46, the world market of this sense is employed up until the late-1850s a number of times in Marx's and Engels's various writings; newspaper columns, personal correspondences, theoretical polemics, public addresses, and notebooks for economic studies. To take a typical example from the *Communist Manifesto*:

The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere.

The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature. (CW6: 487-88)

Fourthly, it is also possible to evaluate the meaning of the world market in terms of the state/civil society duality discussed earlier in § 2.2. Opposing Hegelian supersession of civil society by the ideal state, Marx juxtaposes the two in such a way that both denote the two fragmented spheres of modern life, private/economic and public/political. According to him, while civil society constitutes the material basis of the modern world, the state is merely a, essentially illusory, reflection of it. Therefore, it is not possible to resort to the state, as does Hegel, to solve the modern problem—what Hegel calls ‘alienation’. Instead, Marx's strategy is quite straightforward; he looks for the solution in the very place where the problem has arisen, *i.e.*, civil society. From this perspective, whilst in Hegel the realisation of the (rational) state is the solution of the problem, in Marx the problem can be solved only when the state is

abolished; he tries to find in the development of alienation the emergence of the conditions for overcoming it, which will eventually overcome the state:

Civil society embraces the whole material intercourse of individuals within a definite stage of the development of productive forces. It embraces the whole commercial and industrial life of a given stage and, insofar, *transcends the state and the nation*, though, on the other hand again, *it must assert itself in its external relations as nationality and internally must organise itself as state*. (CW5: 89. My italics.)

Civil society, whilst tentatively asserting itself in the form of the state or the nation, eventually has the potentiality to transcend such a confinement:

The arrangement has evidently to be made as follows: (1) The general abstract determinations, which therefore appertain more or less to all forms of society . . . (2) The categories which constitute the internal structure of bourgeois society and on which the principal classes are based. Capital, wage labour, landed property. . . (3) The State as the epitome of bourgeois society. Analysed in relation to itself. The “unproductive” classes. Taxes. National debt. Public credit. Population. Colonies. Emigration. (4) International character of production. International division of labour. International exchange. Export and import. Rate of exchange. (5) World market and crises. (CW28: 45)

It is interesting to observe the exact correspondence between the last two excerpts. Civil society which ‘embraces the whole material intercourses of individuals’ at first organises itself as the national states inwardly (3) and, as such, they relate with each other outwardly (4). In this process, however, since civil society by nature ‘transcends the state and the nation’, it tends to create a body of connections that cannot be reduced to a national framework; the *world market* (5)! This sense of the world market can be found clearer in the following:

I. (1) General concept of capital.—(2) Particularity of capital. . . (3) Capital as money. II. (1) *Quantity of capital. Accumulation*. (2) *Capital measured in terms of itself*. . . (3) *The circulation of capitals*. . . III. Capital as credit. IV. Capital as share capital. V. *Capital as money market*. VI. Capital as source of wealth. The capitalist. After capital, landed property would have to be dealt with. After that wage labour. Then, assuming all three, the *movement of prices* as circulation now defined in its inner totality. On the other hand, the three classes as production posited in its three basic forms and presuppositions of circulation. Then the *State*. (State and bourgeois society.—Taxation, or the existence of the unproductive classes.—The national debt.—Population.—The state in its external relations: Colonies. Foreign trade. Rate of exchange. Money as international coin.—Finally the world market. Encroachment of bourgeois society on the state. Crises. Dissolution of the mode of production and

form of society based upon exchange value. The real positing of individual labour as social and vice versa.) (CW28: 194-5. Original italics and my underline.)

Then, it would not be an exaggeration to say that what the world market is to Marx is what the state is to Hegel. It is such a crucial concept to the Young Marx, so to speak.

Lastly, it is worth mentioning here that the development of the concept of the world market in Marx was a product of his deepening economic studies from early-1840s; it partly explains why he used an economists' term—the world market—to denote the globality of modern society. In spite of his strong disillusionment with philosophy, however, he still remained a philosopher to a large extent rather than a political economist by the mid-1840s when he was writing the *German Ideology* and the *Poverty of Philosophy*. That is probably why he employed the ambiguous term 'intercourse' [*Verkehr*] where a political economist would have put 'commerce' [*Handel*] instead, although his choice of 'intercourse' does suggest something more that economists would fail to think of.

However, it is also true that, as his studies in political economy evolve, his concept of the world market becomes more and more 'economic' both in appearance and content. In this respect, we may well have another look at the last two excerpts. While we can see the fully 'economified' version of the world market there, we need to recognise they are two different versions of the so-called 'Six Book Plan', the first of which was outlined in 1857. Apparently these schemes reflect what Marx then thought was the inner structure of civil society, but we can also observe that they are ordered in such a way that they necessarily point to the dissolution of this society. What all this suggests is that, whilst the *Grundrisse* and the 'Plan' have generally been regarded in relation to Marx's mature political economy, *Capital*, they might be viewed otherwise, *i.e.*, in relation to his earlier *problématique*. This issue will be revisited in the concluding section of this chapter.

4.2.2. Marx's World Market after 'Methodological Sophistication'

The development of Marx's political economy is not a linear evolutionary process, but an overarching theoretical transition divides it into two qualitatively different

phases; this is what we called ‘methodological sophistication’ in the previous chapter. Two different meanings of ‘method’ are involved here; the method of investigation of the object of study, *i.e.*, society, and of its representation in a certain formal way. Regarding the former, what ‘methodological sophistication’ tells us is the transition from a historical to a logical/structural perspective on society; as a result of the ‘sophistication’, Marx now regards society not as a historical entity that experiences its own life-cycle, but as a given structure, an organic whole which reproduces itself. Such a transformation, on the other hand, led to a parallel transformation in Marx’s approach to political economy. Accordingly, essential theoretical problems to be asked and answered are reformulated: (i) to identify core elements that constitute civil society as an organic whole, and to lay bare the inner connections between them, and (ii) to represent in a formal way how such a logically reconstructed totality reproduces itself—both the whole and individual elements of it—regularly.

Then, we can say it was from the earlier historical perspective on society that Marx portrayed the world market both as the culmination of the (material) development of modern society as a historical entity, and as the deciding moment of its dissolution. On the contrary, as long as capital(-ism), the object of study, is viewed as an organic whole which reproduces itself, every single element that constitutes it is regarded both as an essential *presupposition* for it to exist, and as a *result* of its reproductive process.

These presuppositions which originally appeared as prerequisites of its becoming . . . now appear as results of its own realisation, reality, as *posited* by it—*not as conditions of its emergence, but as results of its being*. It no longer sets out from presuppositions in order to become, but is itself presupposed, and, setting out from itself, it itself creates the presuppositions for its maintenance and growth. (CW28: 388)

The world market is not an exception. Now it is reduced to one of the *normal* elements that constitute the capitalist economy as a self-reproductive organism; a determination of its reproductive metabolism:

The world market itself forms the basis for this [capitalist] mode of production. (CW37: 331)

The tendency to create the *world market* is inherent directly in the concept of capital itself. Every limit appears as a barrier to be overcome. At first [capital strives]

to subject each moment of production itself to exchange, and to transcend the production of immediate use values which do not enter into exchange, i.e. to replace the earlier and from its standpoint naturally evolved modes of production by production based on capital. *Trade* appears no longer as an activity carried on between independent productions for the exchange of their surplus product, but as the essential, all-embracing prerequisite for and moment of production itself. (CW28: 335)

It was in *Capital* that Marx takes the above theoretical premise most seriously. Although the world market lays the basis for capitalism and figures as its normal constituent, it also forms the *ultimate* field where capitalist competition takes place. Thus, it is natural that in the *presentation* of the capitalist economy the world market should come after all the simpler and more abstract categories have been properly situated. This is why Marx assumes the whole world to be ‘one nation’ in *Capital*, rendering the *world* market simply the market:

We here take no account of export trade . . . In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation, and assume that capitalist production is everywhere established and has possessed itself of every branch of industry. (CW35: 580n)

At the level of the world market, however, ‘export trade’ is not ‘disturbing subsidiary circumstances’ but one of the representative activities to be explained. Therefore, to introduce the world market in the presentation is nothing but relaxing the above one-capitalist-nation assumption to allow more realistic feature of the world to figure in the theory. Accordingly, the existence of the world market that, so far, has only hung its shadow over the whole landscape is made explicit and, on this basis, the existing body of theory would be pushed further (see **Part II**).

4.2.3. Theoretical Innovations of Marx’s Conceptualisation of the World Market

So far, two senses of the world market to be found in Marx’s writings have been identified in distinction from each other. But more important is that the transition from its first sense as a historical entity to the second as an essential category of political economy is not arbitrary but a necessary result of the more fundamental

transformation in his thought, namely ‘methodological sophistication’. In other words, the distinction of the two world markets in Marx serves as the best illustration of the ‘sophistication’, and points to Marx’s break from the conventional West European thinking of the global outlined in § 4.1 as the ‘sophistication’ in general does with respect to (conventional) political economy (see § 3.2). With the renewed concept of the world market, Marx is now able to problematise the global in a more formal and complex way in his elaborate value theory (see, for details, **Chapter 6**).

Secondly, it is of prime importance to appreciate that it is not a simple logical hypothesis concerning the reconstruction of the capitalist economy as a totality in thought that a category is regarded as both a presupposition and a result. Rather, by this premise, Marx also suggests capital sprang from nowhere but was *historically* developed on the material bases ready to be exploited by it: ‘the modern mode of production developed only where the conditions for it had taken shape within the Middle Ages’ (CW37: 331). Further, this methodological premise, as such, emphasises the fact that capital *historically* transforms the nature of, and reorganises the interrelations between those existing material bases in the way it most prefers, which of necessity entails the historical specificities of capitalism *vis-à-vis* other forms of production; indeed, this is a way the former historical *problématique* survives in the logical/structural framework.

[C]apital did not create the world afresh, but rather found production and products already in existence before it subjugated them to its process. Once in motion, setting out from itself, it continuously presupposes itself in its different forms as consumable product, raw material and instrument of labour, in order to continuously reproduce itself in these forms. They appear first as the conditions presupposed by capital itself, and then as its result. In reproducing itself it produces its own conditions. (CW29: 65)

The world market as a category was not an exception. He characterised the presuppositional world market as one whose formation was driven by trade or merchant’s capital which was an ‘antediluvian form of capital’. But, whilst ‘Merchant’s capital appropriates an overwhelming portion of the surplus-product partly as a mediator between communities which still substantially produce for use-value’, it ‘will subordinate production more and more to exchange-value by making

luxuries and subsistence more dependent on sale than on the immediate use of the products' (CW37: 329, 328).

[W]hen in the 16th, and partially still in the 17th, century the sudden expansion of commerce and emergence of a new world market overwhelmingly contributed to the fall of the old mode of production and the rise of capitalist production, this was accomplished conversely on the basis of the already existing capitalist mode of production. The world market itself forms the basis for this mode of production. On the other hand, the immanent necessity of this mode of production to produce on an ever-enlarged scale tends to extend the world market continually, so that it is not commerce in this case which revolutionises industry, but industry which constantly revolutionises commerce (CW37: 331. See also CW35: 742).

As the above excerpt shows, unlike his late-18th and early-19th century predecessors who largely hovered around the speculative and cosmopolitan thinking about the human-historical or world-historical implication of the emergence of the global, and unlike his mid-19th century contemporaries who simply took the existence of the global for granted, Marx exerted himself to illuminating how such an unprecedented development at the global level was to be transformed in a certain way by the workings of capital; hence, the world market as a *result*.

Third, more specifically, by concentrating on the 'presupposition' aspect of the world market, it is possible to problematise the historical formation of the capitalist global economy positively. This is also done by Marx himself, but not satisfactorily. As he has painfully shown in the last Part of the first Volume of *Capital*, 'the colonies, the national debt, the modern mode of taxation, and the protectionist system' in the world market were amongst the main 'momenta of primitive accumulation' (CW35: 739). As They are historical examples which suggest the *global* dynamics of capitalist development was already at work from as early as its preparatory and formative stages, but not only in the sense that, as Marx intends to show, they contributed to the capitalistic reorganisation of what he calls the first 'classic' capitalist society, the English. They also played much more active roles; as Pomeranz and Topik emphatically argue (2005: 226-8), for instance, 'the first industrial factories were the sugar mills of the [colonial] Americas' in the 17th centuries, not those Manchester cotton mills! According to this view, even if the embryonic elements of capitalism had been born out of the Western European leading social formations, it was only in their colonies outside their boundaries that such elements were first put in practice.

The colonial factories involved not only a huge amount of money raised in the ‘mother’ country, guaranteeing the owners of the money an opportunity of speculation in return, but involved ‘some of the most sophisticated technology of the era, and a large workforce’, too. Further, Sidney W. Mintz enumerates three *human* as well as *technical* elements that made modern industrial (factory) production first appear in the 17th century Caribbean sugar plantations based upon slavery, not free labour: discipline, the specifically efficiency-maximising organisation of the labour force, and time-consciousness—all are essential features of *capitalist* labour organisation (Mintz 1985: 51). In the end, if capital is a social relation rather than a bunch of tools, it should have been much easier to transform ‘after its own image’ displaced coerced slaves than relatively free feudal peasants with all their history, traditions, customs, values, etc. If it is an exaggeration to say ‘the factories of the Caribbean were holding a mirror in which Europe could see its industrial future’ (Pomeranz and Topik 2005: 228), certainly it was only after such periods of ‘experimentation’ and trial-and-error that the factory system saw its full-scale implementation back in its mother country.

Fourth, then, the above point necessarily leads to the following question: *how is the initial global reproduced by the inner logic of the capitalist economy?* This is exactly the same question that above-mentioned C.A. Bayly had when he presented the proposition ‘the *nationalization* of interactions across the emerging modern world’. While he focuses upon the growing influence of the nation state, Marx is more interested in capital; these are, however, two opposite sides of a coin. Marx gives some examples of how capital transforms the feature of the world market in *Capital*:

In a society whose pivot, to use an expression of Fourier, was agriculture on a small scale, with its subsidiary domestic industries, and the urban handicrafts, the means of communication and transport were so utterly inadequate to the productive requirements of the manufacturing period, with its extended division of social labour, its concentration of the instruments of labour, and of the workmen, and its colonial markets, that they became in fact revolutionised. In the same way the means of communication and transport handed down from the manufacturing period soon became unbearable trammels on Modern Industry, with its feverish haste of production, its enormous extent, its constant flinging of capital and labour from one sphere of production into another, and its newly-created connexions with the markets of the whole world. Hence, apart from the radical changes introduced in the construction of sailing vessels, the means of communication and transport

became gradually adapted to the modes of production of mechanical industry, by the creation of a system of river steamers, railways, ocean steamers, and telegraphs. But the huge masses of iron that had now to be forged, to be welded, to be cut, to be bored, and to be shaped, demanded, on their part, cyclopean machines, for the construction of which the methods of the manufacturing period were utterly inadequate. (CW35: 386)

On the one hand, the immediate effect of machinery is to increase the supply of raw material in the same way, for example, as the cotton gin augmented the production of cotton. On the other hand, the cheapness of the articles produced by machinery, and the improved means of transport and communication furnish the weapons for conquering foreign markets. By ruining handicraft production in other countries, machinery forcibly converts them into fields for the supply of its raw material. . . By constantly making a part of the hands “supernumerary,” modern industry, in all countries where it has taken root, gives a spur to emigration and to the colonisation of foreign lands, which are thereby converted into settlements for growing the raw material of the mother country; just as Australia, for example, was converted into a colony for growing wool. A new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field. . . (CW35: 455)

It is essential to have the question ‘how is the initial global reproduced by the inner logic of the capitalist economy?’, not least because we are living in a world where most people believe that Brazil is the home of coffee, which is however a product of capital’s restructuring of the world (see, for more similar examples, Pomeranz and Topik 2005: Ch. 4), and not least because what Marx calls ‘fetishism’ is so prevalent in economic science since his time. ‘Fetishism’ in economics is nothing but economists’ taking for granted economic categories which in capitalist society take deceptive forms, and portraying these mere forms as eternal and non-problematic as they are. To see the real content, the relations between human beings, behind those forms, suggests Marx, we need to look at history, the *historical formation* of the categories.

Fifth, aside from the historical aspect, as long as the global forms a constituent part of the capitalist economy, another crucial question arises: *what role does it play in the overall reproduction of the capitalist economy?* From the theoretical point of view, this question is translated into: *how to incorporate the global into the existing body of theory?* Of course, in the case of Marx, this is a question of loosening the one-capitalist-nation assumption, which is nothing but *extending his value theory with*

respect to the world market. In tackling this question, again, the importance of the world market as presupposition/result stands out. For, if this character is not only a logical premise but also concerned with the *historically peculiar reproduction of the global in capitalist society*, the reintroduction of the global into theory—or the loosening of the one-capitalist-nation assumption—should be performed in such a way that *the historical peculiarity remains undamaged.*

His gradual indulgence in a study of the non-European, non- or pre-capitalist societies needs to be assessed in this respect. And it offers quite different a perspective than Gareth Stedman Jones holds on this matter; according to him, *Capital* was written in ‘the universal and unilinear terms’ largely shared by the aforementioned Enlightenment thinkers and Marx and, consequently, a close study of the non-European world necessarily entailed his ‘abandonment of *Capital*’ (Stedman Jones 2007: 198). But this conclusion is too hasty, and lacks in evidence. By contrast, in view of the broader intellectual project to which Marx was committed, it is much more plausible to regard such a study as an attempt at sharpening his long-standing ‘global’ standpoint by considering more determinations. Instead of predicting the inevitability of the conquest and destruction of the extra-European societies by the European civilisation, he now pays more attention to what transformation those societies experience once they are drawn into the world market where the capitalist relation of production prevails (cf. CW35: 244). In Marx’s refined framework in *Capital* and later, these societies, or national economies in general are viewed as *particular moments in the reproduction of capitalism on a global scale*; this is a point Stedman Jones fails to appreciate. Further, the very existence, and persistence of such different societies in the world market will only require the theory on the capitalist economy to become more complicated (see **Chapter 5**).

In the end, we can fairly conclude that it was to make up an important part of Marx’s value theory to deal with how the world market as a presupposition was reconstituted in the confinement of the capitalist economy, and how the inclusion of the world market category would modify and drive the existing theory further ahead. By doing so, we would be able to grasp how the capitalist mode of production has been developed into a specifically global economy over time, with creating new contradictions and limitations as well as modifying and transcending existing ones.

What such a project would look like when properly performed — to exemplify it is the main purpose of **Part II** of this thesis.

4.3. SUMMARY OF PART I

The aim of this thesis as a whole is to reconstruct Marx's concept of the world market. To perform this research properly, it was suggested at the outset, the following three questions would be necessarily posed and needed to be answered: (i) how and against what background Marx conceptualised the world market; (ii) whether its place in his whole theory changed and, if it did, how; and lastly (iii) how it can fit into Marx's elaborate value theory, and what additional critical/analytical vantage points it can provide with respect to dealing with contemporary global capitalism. In **Part I**, the first two issues have been dealt with.

In **Chapter 2**, an examination was performed of how Marx arrived at political economy after a much-troubled intellectual journey. Having started his intellectual life under a strong influence of Hegelian idealist philosophy, which was quite inevitable for him, Marx complained of its not being real and material, and finally managed to discover a way out from Hegelian *problématique* of alienation with an encounter with political economy. Suggestive here was that this discovery coincided with another important discovery — the world market.

However, his attitude toward political economy was never fixed; neither was his view on the world market. Firstly, in **Chapter 3**, the evolution of Marx's political economy was traced. When Marx could escape from Hegelian *problématique* of alienation in the mid-1840s by developing what we now call 'historical materialism', his historical perspective on society reached at its highest point; society was regarded as a historical entity experiencing its own life-cycle (emergence-development-dissolution). Here, political economy served (at best) as a fair tool for understanding the material reality of modern society. But as Marx's political economy study progressed he gradually learned to appreciate the real significance of political economy that had been forged from the 16th century onwards, namely as the 'anatomy' of modern society. In parallel, his focus in social research also changed; society was now looked upon as an

organic totality reproducing itself by its own logic. Political economy was, realised Marx, the special science for modern society with which to identify the basic material elements of modern society, to reconstruct the whole system in thought as an ensemble of those elements, and to lay bare the (sometimes deceptive) mechanism of the reproduction of the whole as well as its parts. The evolution in Marx's perspective on political economy (science) and society (the former's object) was in this chapter termed 'methodological sophistication'.

Corresponding to the 'sophistication' at the most fundamental level, the meaning of the world market also changed over time; in **Chapter 4**, two different senses of the world market in Marx, together with their differing places in his evolving theoretical project, were identified. Attention was also paid to the broader intellectual context of the West European thinking of globality in general, which proved to be instrumental in making clearer the significance of Marx's conceptualisation of the world market.

The world market in Marx first appeared the ultimate—therefore the latest—field of the capitalist material development. It was here, argued Marx, that both the suffering and the development of man obtained their most advanced forms, and that the whole significance of the development of modern society, and its limitations would be grasped most fully. Therefore, communist revolution or the crisis, which would abolish this form of social organisation, was to be prospective only at the 'world' level. Indeed, this is the world market we in § 2.2.3 observed Marx discovering first in the *German Ideology*. Such a 'historical' view of the world market, however, gradually sublated. As what we earlier called 'methodological sophistication' was under way at the fundamental level of thought, the world market was to be seen not only one of the essential presuppositions necessary for capitalism to come into being, but also something reproduced capitalistically by the workings of capitalism. Indeed, it was a basic premise — at least for Hegel in *Logic* and Marx 'sophisticated' — in dealing with an organic totality to consider its basic elements both as presuppositions and results of the totality's reproductive metabolism.

Having established the world market as a *normal* constituent part of the capitalist economy in this way, we were faced with a specific set of questions that were inevitably posed in the process of acquiring that renewed concept. While they are indeed the questions arising generally as a result of 'methodological sophistication',

we have seen that they, when asked of the concept of the world market, did highlight several innovative features of Marx's specific conceptualisation of the world market. As hinted in § 4.2.3, such innovative features could only be satisfactorily addressed and developed in Marx's value theory, which will be attempted — if not fully — in **Part II**.

PART II

THE WORLD MARKET IN VALUE THEORY

CHAPTER FIVE

PRELIMINARY CONSIDERATIONS ON MARX'S VALUE THEORY: ITS 'METHOD'

In this **Part**, an attempt will be made to incorporate Marx's concept of the world market expounded earlier into his elaborate value theory. Basically, any extension of a theory has to be carried out in compliance with the principles by which the existing body of theory is constructed. To perform this task properly, therefore, it is necessary to expose some important characteristics of Marx's value theory to a certain degree, which is the subject matter of this chapter.

In the history of Marxist political economy, such principles have been dealt with under the heading of 'method'. And it appears that most commentators have generally assumed Marx's method to be one of presentation. We will challenge this 'convention' by developing an alternative interpretation in this chapter. This will be done partly by developing at length the significance of Marx's value theory as a critique of political economy in the first section, and partly by examining Marx's attitude to dialectics in the second. However, the aim is not so much offering a comprehensive explanation, but debate will be limited within the scope of our more fundamental purpose of extending the existing value theory onto the sphere of the world market.

5.1. MARX'S VALUE THEORY AS A CRITIQUE OF POLITICAL ECONOMY

There may be a number of different ways to characterise Marx's value theory, but let us start by paying attention to the fact that it was presented as a '*critique of political economy*'. 'Critique' may well be the most representative and overarching catchword that symbolises Marx's life-long intellectual as well as practical journey. Indeed, it was a commonplace for not only Marx but also his German pre- or post-Hegelian compatriots to present their theoretical treatises in the form of critique. Even in the 'Preface' to his *Economic and Philosophical Manuscripts* of 1844, the first main work since he had embarked on the study of political economy around the beginning

of that year, he took the critique of political economy as part of his rather ambitious intellectual project (CW3: 231), and after 23 years since, his most mature economic work *Capital* was published with the subtitle ‘Critique of Political Economy’. Here, critique is not a mere rhetoric but a theoretical concept that conveys some specific connotations. As such, it *characterises Marx’s value theory in a specific way*.

Nevertheless, what he meant by the word ‘critique’ was not explained enough by Marx himself, partly because he took it simply for granted. Of course, this does not mean that it is impossible to extract the meaning of critique either from his own works, or from the broader intellectual context to which he belonged. It is in this way that such prominent researchers as Reinhart Koselleck and Sheila Benhabib, amongst others, have accounted for what is meant by the term critique in detail.

5.1.1. Three Dimensions of Critique

Critique, more than anything else, concerns the personal *judgement* of the critic regarding the state of affairs of the object of the critique. To understand the unique nature of this judgement, it is necessary to remind that the term *critique* has the same etymological origin with the term *crisis* (Koselleck 1988[1959]: 103-04 n15). Briefly speaking, ‘critique’ presupposes a judgement that the object of critique is in *crisis*, that is, in a *critical* state, which is most clearly illustrated in Marx’s early writings.¹⁰⁰ Especially, observe the energetically composed sentences from a letter Marx sent to his co-editor, Arnold Ruge in September 1843 when they were preparing the publication of the journal *Deutsch-Französische Jahrbücher*:

Hitherto philosophers have had the solution of all riddles lying in their writing-desks, and the stupid, exoteric world had only to open its mouth for the roast pigeons of absolute knowledge to fly into it. Now philosophy has become mundane, and the most striking proof of this is that philosophical consciousness itself has been drawn into the torment of the struggle, not only externally but also internally. But, if constructing the future and settling everything for all times are not our affair, it is all

¹⁰⁰ Here, the meaning of crisis may be understood in a casual way. On the etymological investigation of the term and its development, it is worthwhile to have a look at Koselleck’s *Begriffsgeschichte* of the term ‘crisis’ (Koselleck 2002: 236-47).

the more clear what we have to accomplish at present: I am referring to *ruthless criticism of all that exists*, ruthless both in the sense of not being afraid of the results it arrives at and in the sense of being just as little afraid of conflict with the powers that be (CW3: 142).

When Marx talks of the ‘critique of political economy’, by the same token, he presupposes a *subjective judgement* that political economy is in crisis. It is based upon this judgement that he distinguishes the scientific and rational aspect of what he calls ‘classical’ political economy from its ‘vulgar’ offspring: ‘With the year 1830 came the decisive *crisis* [in political economy]’ (CW35: 15. Emphasis added. Cf. Balibar 1982: 306-07).

On the other hand, critique is as *objective* as it is subjective, in the sense that it also presupposes a ‘connection between subjective judgement and objective process’ (Benhabib 1986: 19), accompanying the analysis of that objective process. Regarding this, it would be useful to remember that Koselleck, in tracing back the origin and the ensuing development of the term ‘critique’ in the West European intellectual tradition, has demonstrated that it had come to mean the use of reason *per se* by the early-18th century: ‘Criticism [*Kritik*] . . . became . . . the art of arriving at proper insights and conclusions via rational thought’ (Koselleck 1988[1959]: 108). It is in this sense that Marx characterised his economic work under way in his letter to Ferdinand Lassalle of 22 February 1858 as ‘at once an exposé [*Darstellung*] and, through that exposé, a critique of the system [of bourgeois economy]’ (CW40: 270. Translation modified with reference to the original). This is why those who overemphasise the *negative* aspect of Marx’s value theory in the name of its being a ‘critique’ are as one-sided and dangerous as those who aspire to portray it as a positive science.

It would be absurd to assume that, when Marx judges that political economy is in crisis, and performs its critique, his diagnose and prescription will remain unchanged, say, from the *Economic and Philosophical Manuscripts* of 1844 all the way to *Capital* of 1867. And what is more important is that his ‘critique of political economy’ becomes more sophisticated with more theoretical dimensions as his study in political economy deepens. In her brilliant book on critical theory, *Critique, Norm, and Utopia: A Study of the Foundations of Critical Theory*, Sheila Benhabib tries to characterise the ‘critique’ in Marx’s *Capital*, by identifying three dimensions from it.

She basically distinguishes ‘immanent critique’ and ‘defetishizing critique’. The former seeks ‘to criticize the opponents’ arguments by showing their internal inconsistencies and contradictoriness’ (Benhabib 1986: 9), which according to her appears in *Capital* in two different ‘aspects’ which she calls categorial and normative critique. Firstly, categorial critique is a critical project which proceeds ‘from the accepted definitions and significations of the categories of political economy’ to demonstrate ‘how these definitions and significations turn into their opposites’ (105).

In this procedure, Marx does not juxtapose his own categorial discourse to that of political economy, but through an internal exposition, elaboration, and deepening of the already available results of classical political economy, he shows that these concepts are self-contradictory (106).

On the other hand, normative critique in Marx’s ‘critique of political economy’ is performed by means of the juxtaposition of the norms of bourgeois society and the reality of the social relations in which they are embodied. ‘Marx contrasts the normative self-understanding of this society to the actual relations prevailing in it, without appealing to a different [socialist] set of norms from the ones immanent in bourgeois society’ (107-08). Here, Benhabib takes the following passage from *Capital* as an example:

This sphere [of circulation] . . . is . . . a very Eden of the innate rights of man. There alone rule Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, say of labour power, are constrained only by their free will. They contract as free agents, and the agreement they come to, is but the form in which they give legal expression to their common will. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. . . On leaving this sphere of simple circulation or of exchange of commodities . . . [h]e, who before was the money owner, now strides in front as capitalist; the possessor of labour power follows as his labourer (CW35: 186. Cf. Benhabib 1986: 107).

Lastly, ‘defetishizing critique’ refers to a procedure of showing that what appears as a given is in fact not a natural fact but a historically and socially formed reality’ (Benhabib 1986: 21). While this kind of critique does appear in Marx’s works from as early as the early-1840s (see **Chapter 2**), it is only in *Capital* that he establishes it on the basis of what he calls fetishism, that is, the phenomenon that ‘a definite social relation between men . . . assumes, in their eyes, the fantastic form of a relation

between things' (CW35: 83). In principle, as Marx demonstrates in the section on 'Fetishism' in *Capital*, this is a form of social consciousness that uniquely appears in a society where the labour product dominantly assumes the form of commodity; in terms of critique of political economy, however, it also points to the distinctive character of the categories of political economy, namely their inability to problematise the real content of the social relations with which they are concerned and, therefore, their deception of presenting 'economic reality as if it were an objective, law-governed reality encompassing various abstract quantities and entities' (Benhabib 1986: 108).

5.1.2. The Inner Structure of Marx's Critique of Political Economy

Benhabib's sophistication of the concept of critique in Marx's *Capital* thus far summarised casts enormous light on our discussion, but we need to be careful in receiving it. First of all, whilst she interprets the significance of Marx's critique of political economy in the intellectual tradition from Kant and Hegel to the Frankfurt School of critical theory, we are more concerned with the fact that his critique, notably in *Capital*, was the outcome of his thorough and assiduous confrontation with political economy. That is, we would argue that his scientific contributions can be most properly assessed in terms of the development of political economy, the intellectual engagement with the understanding of the material mechanism of modern society (see **Chapter 3**). It is in this respect, as will be shown below, that we propose to understand the three dimensions of critique synthetically (but differently from the way Benhabib does), and such an understanding will to a significant degree *determine* the character of Marx's value theory as the outcome of that critique.

Then, in what way are the three kinds of critique related internally? To answer this, Benhabib begins by stressing rightly that 'Marx's categorial critique of political economy is also a critique of a mode of social production, the self-understanding of which is reflected in this discourse' (Benhabib 1986: 109). Regarding the fact that such a critique of an immanent quality became possible as a modern phenomenon, she

links it with a critique of the normative foundations for the modern mode of social production:

Civil society is the first social formation in history which derives its legitimation from *immanent* as opposed to transcendental norms (110).

Political domination is legitimized “from below,” with reference to the activities of individuals in civil society, and not with reference to a transcendent norm from above. Since capitalist civil society does away with the transcendent point of view, and since the legitimizing norms of this society, like equality, liberty, and property, are embodied in activities of exchange, the critique of political economy becomes a critique of the normative self-understanding of this society.

In criticizing political economy, Marx is also criticizing its normative force of legitimation (111).

Further, arguing that Marx’s critique, when it reaches its ‘defetishizing’ moment, becomes ‘a critique of the social *reality* articulated by the discourse of political economy, as well as a critique of this discourse itself’ (108. My Italics), Benhabib insists that he needed to develop an ‘emancipatory’ or ‘utopian’ vision of his own, and to fall back upon it to perform such a critique properly. In this way, she exposes and problematises the normative dimension of Marx’s critique.

It would be fair to acknowledge that Benhabib’s structuring of the concept of Marx’s critique in *Capital* is suggestive in that it indicates the limit point to which his critique eventually amounts, or the point where, to borrow Etienne Balibar’s expression, no more ‘logical’ political economy is possible in the face of the ‘illogic’ of its fundamental principles (Balibar 1982: 304, 305) and, thus, the point where one needs to refer to the effective visions for emancipation together with political practice to realise these visions. However, it is at once true that hers fails to address the points where Marx’s value theory as a critique of political economy is substantially developed in abundance.¹⁰¹

¹⁰¹ We made efforts to show in **Chapter 2** and part of **Chapter 3** that Marx’s intellectual interest moved from the former to the latter, *i.e.*, from outside to inside of the possibility frontier of the theory of modern society, or from the critique of the deceptiveness of the theory (hence abandoning it) to a call for a more sophisticated theory (hence developing it).

It is in this sense that we want to lay more emphasis upon the significance of the *categorical* aspect of Marx's critique than Benhabib does. As she rightly says, Marx's categorical critique seeks to show that the immanent demand of the categories of political economy, when pushed to the limit, necessarily reaches at a certain impasse, rather than to show their inner contradictions immediately (Benhabib 1986: 106). This needs to be supplemented by stressing that for Marx such a process was never hypothetical or heuristic. In other words, it was not *simply* to prove the contradictoriness of the categories that Marx initially accepted them; by contrast, he had actually carried out a thorough study of the existing literature of political economy, and selected out what he thought was rational and acceptable from it. Consequently, he reveals on the one hand the *inner contradictions* of the categories of political economy but, on the other, what is now the same thing, their *insufficient conceptualisation*. What is of prime importance is that here Marx's value theory acquires *a momentum of positive/constructive development*. Rather than proceeding directly to the conclusions that the self-understanding of civil society reflected in political economy is not sufficient for realising the normative or utopian ideals—'Freedom, Equality, Property and Bentham'—to which it is avowedly committed and, thus, that the revolution is necessary to appropriate the human-historical achievements of bourgeois society fully, Marx stays more in the realm of political economy to sophisticate and radicalise such a 'self-understanding'; thereby engaging himself with detailing what and how to 're-appropriate'.¹⁰² At last, we can now justly assert that the categorial moment which bears the possibility of the above development acquires primacy amongst the three moments in Marx's concept of critique that Benhabib

¹⁰² In this sense, although Etienne Balibar was right when he remarked 'if there is a "logical" critique of political economy, it is that *there is a logic of political economy*, expressing the presence in its bottom of necessary development' (Balibar 1982: 304), his verdict as follows is hasty:

If the errors are on the side of the principles themselves, it is necessary to treat its [political economy's] contradictions and confusions which it comprises as the index of *the impossibility of a scientific political economy*, freed from the bourgeois illusions and politico-legal idealism. Consequently it is necessary to constitute in theory a *non-economic point of view*. (305)

Rather, what Marx does is, by radicalising the insufficient concepts, or 'principles' as Balibar calls them, to produce the truthful knowledge of the capitalist economy even though its validity is only confined to the capitalist economy.

suggests. Indeed, that is exactly why many authors, as we did earlier in **Chapter 3**, regard Marx's renewal of economic study in London in the beginning of the 1850s as the threshold from the early (as in the *1844 Manuscripts*) to the mature stage (as in *Capital*) of the critique of political economy (Rosdolsky 1977[1968]: 5; Oakley 1983: 42-43 and 44-45; Rubel 1981[1968]: 133; Krätke 2004: 3; Heinrich 1989: 64); by then Marx's critical engagement with political economy was so advanced that he began to scrutinise specific economic *categories* such as ground rent, money, etc., departing meaningfully from Ricardo.¹⁰³

On the other hand, whilst the categories of political economy are always expressed as logical concepts, they are in the end mere objectifications of the historically definite social relations between humans. Therefore, the critique of the categories cannot be completed by the inner scrutiny of them, but of necessity requires the critique of the way they reflect the social relations which form their bases. Here exists the *defetishising* moment of Marx's critique, which means, briefly speaking, that political economy simply forgets the social contents its categories mirror, and absolutises their objective [*sachlich*] forms. Further, as long as the social contents are disregarded, organic links between categories are easy to remain unquestioned. As shown in the first two sections of the '1857 Introduction' to the *Grundrisse*, Marx regards the capitalist economy as an organic totality, and the economic categories, each of which would conceptualise a particular element of the whole, as organically linked with each other and, eventually, as composing an organic whole on its own in correspondence to the real whole. It is impossible, however, to reach such an understanding only by means of the fetishised categories of political economy; it is necessary to draw attention to the social relations that those categories hide behind themselves. The defetishising critique in *Capital* reveals such a limitation of political economy. In that the fetishised understanding of individual categories necessarily entails a fetishised understanding of the relationships of the categories, Marx's defetishising critique remains two-fold.

Lastly, now that the two kinds of critique in *Capital* are characterised and related to each other as above, the last form of critique Benhabib suggests, the normative, does not seem to be able to maintain its original status. Normative critique does appear

¹⁰³ See especially Marx's letters to Engels dated 7 January, and 3 February, 1851.

very radical, for it puts into question the *fundamental norms* of modern society reflected in its theory. However, whereas this critique is possible according to Benhabib simply by juxtaposing the ideal and reality, it is now obvious Marx's interest in his mature critique of political economy is not confined to indicating the discrepancy between the two, but goes further as to try to lay bare the material mechanism peculiar to bourgeois society of producing the discrepancy systematically.

Hence equality and freedom are not only respected in exchange which is based on exchange values, but the exchange of exchange values is the real productive basis of all *equality* and *freedom*. As pure ideas, equality and freedom are merely idealized expressions of this exchange (CW28: 176). . . [However] exchange value itself is here taken in its simple character as against its more developed antagonistic forms. . . In the totality of existing bourgeois society, this postulation as price and its circulation, etc., appears as the superficial process, below which, in the depth, quite other processes occur in which the apparent equality and freedom of individuals disappear (179).

Moreover, as long as such discrepancy is not simply a matter of logic, something 'falling . . . outside the economic form-determination [*ökonomischen Formbestimmung*]' (CW28: 174. Translation modified), its clarification will immediately demand something like a historical approach. Hence the historical part of *Capital*, that is, its last part on the 'Primitive Accumulation'.

5.1.3. The Constitution of Marx's Value Theory as a Critique of Political Economy

Once the meaning of the critique in Marx is defined through his close study of political economy as above, it should necessarily determine the content, task, and process of his value theory, which is again 'at once an exposé and, through that exposé, a critique of the system' of political economy.

To begin with, as long as Marx's value theory is presented in the form of a critique of political economy, it is reasonable, from the above discussion of the meaning of 'critique', to suppose that it should be subject to the way *he* characterises the existing body of political economy, which itself is of course a result of his enduring critical confrontation with it. Two mutually related points are to be remembered. Firstly that, in the 'Introduction' of mid-1857 to his *Grundrisse*, he derives two distinct methods

of political economy, methods not only of thinking but of presentation, from its own history of development from the early-17th century onwards: one concerns proceeding from the apparent complex phenomena ‘to arrive analytically at increasingly simple concepts’, and the other takes the opposite course, *i.e.*, from the simple and abstract to the complex and concrete.¹⁰⁴ Championing the latter, which was employed by such political economists as Adam Smith and David Ricardo, as ‘the correct scientific method’ for reproducing the concrete in thought as ‘a rich totality of many [simpler] determinations and relations’, Marx alludes to the shape his future reconstruction of political economy would take (CW28: 37-38).

The second point to make here is that, also after a careful investigation into the tendency of the development of political economy, he distinguishes ‘classical’ from ‘vulgar’ versions of political economy.¹⁰⁵ This distinction is important, for the differing criticisms directed to each of them indicate the way and process of Marx’s actual engagement with political economy.¹⁰⁶ According to him, the two alike were victims of obsession, for which they are to blame: while ‘classical’ political economy was obsessed with ‘the inner connection of bourgeois relations of production’, ‘vulgar’ political economy was haunted by ‘the most obtrusive phenomena’ (CW35: 92n. Translation modified). However, says Marx, while both reflected ‘bourgeois’ point of view in the end, the former could remain ‘scientific’ to a degree because the bourgeoisie was not yet at the centre of the class struggle while it had flourished before the 1830s (CW35: 14-15). The result is: the former could manage to produce some truthful knowledge about the very core of the capitalist economy with which it was concerned, failing however to establish the relationship between such core

¹⁰⁴ Of course, one may detect a Hegelian influence here; see § 5.2.2 for details.

¹⁰⁵ It is in ‘Bastiat and Carey’ (CW28: 6) that Marx first expresses this distinction clearly (Cf. CW28: XIV). This unfinished piece was written around July 1857, which is a month or so before he wrote the ‘1857 Introduction’.

¹⁰⁶ Regarding the first point made above, Marx points out that ‘vulgar’ political economists violates the ‘correct scientific method’ that their predecessors discovered, the method of proceeding from the simple/abstract to the complex/concrete, and proceed in the opposite direction. That is, they reduce the complex, what needs to be explained by the simpler determinations, to those simples themselves. See his criticism of Bastiat (‘vapid arguments of the degenerate political economy of the most recent times’, ‘infantile abstraction, etc.’), CW28: 180-81.

relations and the various forms they take, but on the other hand the latter, faced with the inextricable contradictions between the core (whose knowledge was passed upon to them from the classical) and its appearances, strived their way to denying, rather than securing, the correct knowledge to come to terms with the phenomena.¹⁰⁷

In the end, whereas the insufficiently scientific propositions of the ‘classical’ that the substance of the value of a commodity is nothing but the human labour contained in it, and that the mass of this value is determined by the labour time required to produce it were to be accepted after serious scrutiny, the ‘vulgar’ which took for granted the deceptive forms of manifestation of the above propositions, but which dominated the academic scene when Marx took to his critique of political economy would be criticised with the help of those well-reflected concepts. Needless to say, the above reflection of the ‘classical’ achievements by Marx must have been their radicalisation; in that process, however, he was also enabled to ‘extract’, as Althusser (Althusser and Balibar 1970[1968]) would put it, what the ‘classical’ failed to discover while they were more or less unconsciously seeing them. Amongst others, Marx discovered the concepts of *labour power* to denote the specific and irrational form labour takes in the capitalist economy, and of *surplus-value* which was essential in Marx’s critique not only because it was the key concept in understanding ‘exploitation’ whose inclusion made Marx’s value theory outstanding *vis-à-vis* the others, but also because the political economists simply had been unconsciously taking its forms of appearance—profit, interest and wages—for granted.¹⁰⁸ This is how the contributions of political

¹⁰⁷ According to Marx, David Ricardo, the last representative of classical political economy, acted in the opposite way; he denied phenomena for his principle:

Ricardo confuses *value* and *cost price*. He therefore believes that, if there were such a thing as *absolute rent* . . . agricultural produce, etc., would be constantly sold for more than its value, because at more than cost price (the advanced capital + the average profit). That would demolish the fundamental law. Hence he denies absolute rent and assumes only differential rent (CW41: 396).

As for the opposition of ‘classical’ and ‘vulgar’ political economy, see CW31: 389-99, CW32: 499-503, CW35: 91-2, and CW37: 817.

¹⁰⁸ See Engels’s ‘Preface’ to the Second Volume of *Capital* (CW36: 15-23). In a letter to Engels of 8 January 1868, Marx himself enumerates ‘three fundamentally new elements’ of his theory:

economy to the understanding of the capitalist mode of production was at once appreciated and relativised by Marx.

On the other hand, it follows from the second point made above that it was a common mistake both in the ‘classical’ and the ‘vulgar’ to base themselves upon the wrong assumption that there is an inevitable unity between the essence of the economic relations in capitalist society, and its appearance. For Marx, however, the disunity between their essence and appearance in the capitalist economy is the *raison d’être* of political economy as a science: ‘all science would be superfluous if the outward appearance and the essence of things directly coincided’ (CW37: 804).

Natural laws cannot be abolished at all.¹⁰⁹ The only thing that can change, under historically differing conditions, is the *form* in which those laws assert themselves. . . Where science comes in is to show *how* the law of value asserts itself (CW43: 68. Underline added).

Therefore, it will constitute the main content of Marx’s value theory as a critique of political economy to establish the connection between the essence and the appearance, which, as informed by the first point made above, will follow the general order according to ‘the correct scientific method’. Observe here that, whilst the

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1. that in contrast to *all* previous political economy, which *from the outset* treated the particular fragments of surplus value with their fixed forms of rent, profit and interest as already given, I begin by dealing with the general form of surplus value, in which all these elements are still undifferentiated, in solution as it were;
 2. that the economists, without exception, have missed the simple fact that, if the commodity has the double character of use value and exchange value, then the labour represented in the commodity must also have a double character; thus the bare analysis of labour *sans phrase*, as in Smith, Ricardo, etc., is bound to come up against the inexplicable everywhere. This is, in fact, the whole secret of the critical conception;
 3. that for the first time wages are shown as the irrational outward form of a hidden relationship, and this is demonstrated exactly in both forms of wages: time wages and price wages. (It was a help to me that similar formulae are often found in higher mathematics.) (CW42: 514-15)

¹⁰⁹ Nature/natural is one of the most controversial terms in Marx. Here, ‘natural’ means ‘impersonal’, and the ‘natural law’ refers to the law that asserts itself regardless of the wills of individuals in a society. But, in other places, Marx also blames political economists for regarding the capitalist order as ‘natural’; here the term ‘natural’ is opposed to ‘historical’, and the ‘natural order’ implies the order that is not subject to historical changes.

‘classical’ contributions belong to the simple and abstract area which makes up the starting point according to this method, the finishing point should be the most complex and concrete phenomena that, mystified, are however taken by the ‘vulgar’ as the *starting* point (CW37: Ch. 48). Thus concludes Marx his briefing to Engels of his main line of argument of his third volume:

At last we have arrived at the *forms of manifestation* which serve as the *starting point* in the vulgar conception: rent, coming from the land; profit (interest), from capital; wages, from labour (CW43: 25).¹¹⁰

‘The apparent movement is explained’ (*Ibid.*) now as the manifestation of the core relations.

So, we now have both the starting and the finishing points, together with the method of procession from the one to the other. Nevertheless, it does not mean that we also know the *actual route* the critique would take; it cannot be determined in advance. On the contrary, the specific route and every step to be taken therein will again have to be mostly determined by the specific critical points Marx wants to make against existing political economy based upon his ‘judgement’. Besides, it goes without saying that the determination of these points are also subject to the contingencies in the historical development of political economy as well as the contemporary social and political situation in which Marx’s theory is put forward.¹¹¹

Whatever the actual route of procession might be, on the other hand, it is crucial to note the procession of presentation from the simple and abstract to the complex and

¹¹⁰ Marx continues: ‘The entire movement in this apparent form. Finally, since those 3 items (wages, rent, profit (interest)) constitute the sources of income of the 3 classes of landowners, capitalists and wage labourers, we have the *class struggle*, as the conclusion in which the movement and disintegration of the whole shit resolves itself’ (*Ibid.*). Again, observe that this is only the ‘conclusion’ when a *single* social formation is assumed.

¹¹¹ For instance, Marx’s emphasis on money cannot be fully understood without recognising his polemic against Proudhonist and left-Ricardian variants of socialism (‘polemical aims’, CW40: 377), and he says he didn’t include the initially proposed chapter on capital in the *Contribution* of 1859 for political grounds:

You will see that the first section does not comprise the principal chapter, i.e. the 3rd, on *capital*. I thought this advisable on *political* grounds, for it’s in III that the battle really begins and it seemed to me better not to frighten people *de prime abord* [at the very outset] (CW40: 408).

concrete takes place *successively*, step by step. For the fallacies of the political economists are not confined to either the most abstract or the most superficial area, but prevails at every moment of their exposition of the capitalist economy, and thus at all the categories they use. Therefore, Marx's critique will necessarily entail a whole of systematic explanation on its own; in other words, it is a *constructive*, as well as destructive, process: 'an exposé of the system'.

In conclusion, we can now summarise the main question around which Marx's value theory is constituted: for what reason, and in what way is the false notion justified that material wealth is distributed amongst the social classes and their members according to the property each has, when the real process is such that those revenues are the outcome of the exploitation of labour by capital, and then distributed through such social processes that are peculiar to capitalism?¹¹² This is also the question which overrides the three volumes of *Capital* in which Marx's value theory is deployed in the most mature form. In answering this broad question step by step, Marx also shows political economy errs at every moment of its exposition of the workings of the capitalist economy and, therefore, stands at odds with, and *systematically* denies what the meagre (insufficiently) scientific achievements it has made. To name a few main fallacies, in the order they appear in the three volumes of *Capital*: the false notions that the productivity of combined labour appears what from the outset belongs to capital; that wages appear to be the reward for labour, not the price of the commodity peculiar to capitalism, labour power; that profits are generated from the methods of the operation of capital such as the turnover time, the number of turnover within a given period of time, the ratio between fixed and circulating capital, etc., not from the exploitation of the labourer; that the mass of profit is determined according to that of capital employed; that capital itself produces profit without any intermediary processes; and, lastly, that the revenues of the members of the social classes earned at the end of their economic activities originate from the economic properties they have!

Last but not least, the limitation of the categories of political economy so far discussed is not simply a *logical* one; it really exists in the *history* of political economy as a science as Marx's distinction of 'classical' and 'vulgar' political

¹¹² For our purpose, it must be recognised that this question is posed *under the one-nation assumption*, that is, within a single capitalist social formation.

economy suggests. This makes it imperative to include the investigation of the discourse's history itself in the critique of political economy (Cf. CW41: 488). Hence the fourth volume on the 'History of Political Economy'!

5.1.4. Concluding Remarks

We have so far tried to establish a way of understanding Marx's value theory, taking seriously on the fact that he presented it as a critique (of political economy). In retrospect, this very important fact has not attracted its due attention. Maybe, a group of researchers gathered under the label 'Open Marxism' probably remains the only current of Marxist political economy in the English-speaking world who have paid any serious attention to it. However, even these people do not seem to have been so interested in developing the exact meaning of critique in Marx; based upon a very casual understanding of it, i.e., as something negative as opposed to positive 'analysis', they have been simply enthusiastic in criticising the existing theories in Marxist political economy for being too positive and analytical (Bonefeld 2001). This 'negative' criticism often leads to a blind rejection to any theory that has any positive connotation, and is sometimes reduced to the level of subjective negative feeling against everything ('scream' as in Holloway 2002).

Instead, we have tried in the discussion so far to show that Marx's critique is something more than is often thought of. It is a positive as well as negative project, and both moments are inherent in Marx's concept of critique. Further, as any critique is performed against a certain object, so Marx's value theory as a critique of political economy necessarily reflects, in its process of formation, the inner logic and the historical development of its object in a way or other.

5.2. MARX ON METHOD AND DIALECTICS

To extend Marx's value theory properly, we tried in the previous section to identify and describe some basic rules and principles by which the existing theory is

constructed. Whilst discussion was there performed by means of developing the concept of critique, this might admittedly appear a rather peculiar approach. For, conventionally, those rules and principles have been discussed under the heading of ‘method’ in Marxist tradition. One is often told that, to Marx, method refers to dialectics, and that his dialectical method is one of presentation. Consequently, a lot of effort has been invested in laying out the various manners in which the presentation in *Capital* proceeds dialectically; main issues include the selection of the starting and finishing points of presentation, the logic of transition from one category to another as well as their order of appearance, etc.

This is why Hegelian-influenced Marxists have especially been productive in this area, for Hegel is indeed a real expert on dialectics. Although this tendency by no means constitutes any form of a ‘school’, we have recently witnessed a number of such works published, not only individually but collectively.¹¹³ Chris Arthur termed this tendency ‘the new dialectic’ or ‘systematic dialectic’ in his recent seminal work, briefing main differences between individual authors over some important issues (Arthur 2002: 1, 4-12).

Against this background, we will begin by raising a very simple question: what did dialectics or dialectical method actually mean to Marx? To answer this, firstly, we will chronicle Marx’s varying attitude towards dialectics briefly; from negation to affirmation, so to speak. Then we will proceed to describe what was the real problem Marx faced concerning (dialectical) presentation. However, this discussion will not amount to, nor be designed as, a clear repudiation of the above, Hegelian-biased approach. Instead, most effort will be devoted to showing that the Hegelian-influenced interpreters, while being too concerned with discovering the consistent logic of presentation, tend to miss some very basic and important points.

¹¹³ Notable collections include Moseley (1993), Moseley and Campbell (1997) and Albritton and Simoulidis (2003) even though all the participating authors do not necessarily belong to the tendency.

5.2.1. Marx on Dialectics: A Brief Chronology

Marx's attitude to dialectics was not fixed through his life at all. Basically, from as early as the *1844 Manuscripts* he appeared to regard dialectics as the core element of Hegelian philosophy, recognising both its significance and limitation, but sometimes ambiguously. At the same time, his attitude to dialectics delicately varied according to the character of his opponents at hand as his attitude to political economy does (**Chapter 3**). Firstly in the *Holy Family* or the *German Ideology* where he was dealing with his former colleagues, the Young Hegelians who were largely experts on German philosophy, Hegelian dialectics, 'the mother of Young Hegelianism' (CW3: 328), would be denounced for producing distorted reflections of reality, and being reduced to their logical play-thing. On the other hand, however, when criticising Joseph Proudhon, who had produced 'an absurd philosophy' (CW38: 95), Marx pointed out the limitation of dialectics as before but, at the same time, insisted that it was he who was really suitable for realising the ambitious project Proudhon dared to carry out, *i.e.*, the integration of political economy and dialectics since he himself was 'both German and economist at the same time' (Foreword to the *Poverty of Philosophy*, CW6: 109).¹¹⁴

It was in a letter to Engels dated 16 January 1858, when he was in the midst of filling the notebooks later to be known as the *Grundrisse*, that his ambiguous but largely negative attitude towards dialectics showed an abrupt turn:

I am, by the way, discovering some nice arguments. E.g. I have completely demolished the theory of profit as hitherto propounded. What was of great use to me as regards *method* of treatment was Hegel's *Logic* at which I had taken another look by mere accident . . . If ever the time comes when such work is again possible, I should very much like to write 2 or 3 sheets making accessible to the common reader the *rational* aspect of the method which Hegel not only discovered but also mystified. (CW40: 249)

¹¹⁴ See also a letter to Engels of 24 November 1851: 'And you should see how the fellow [Proudhon] flaunts his *dialectique hégélienne*' (CW38: 492). On the other hand, the expression 'German' is obviously a mere rhetoric seeing that Marx also criticises his fellow German, Ferdinand Lassalle, who had a similar ambition as Proudhon, for his ignorance of Hegelian philosophy.

After a while, Marx sent another letter to Engels containing a fairly detailed outline, based on the above realisation, of the economic work he had been planning (CW40: 301-03).¹¹⁵ In this outline, abstraction—the method of excluding secondary influences in dealing with a specific object at a certain stage of presentation—and dialectical transition—between categories—Marx learned from Hegel were positively employed. This was a tremendous change, considering that Marx had so far reproached such elements of Hegelian philosophy for reflecting reality falsely, and replacing the real social relations between real subjects with empty relations of concepts. Upon receiving it, Engels must have been very surprised and embarrassed at this letter which was full of Hegelian expressions:

The study of your abstract of the first half-instalment has greatly exercised me; it is a very abstract abstract indeed—inevitably so, in view of its brevity—and I often had to search hard for the dialectical transitions, particularly since all abstract reasoning is now completely foreign to me. The arrangement of the whole into 6 books could hardly be better and seems to me an excellent idea, although the dialectical transition from landed property to wage labour is not yet quite clear to me. The development of the monetary business, too, is really excellent, though again there are individual bits I can't quite make out, at least until I have looked up the historical background. However, I think that I shall get a better idea of the drift when I've had the last part of capital in general, and shall then write to you at greater length about it. The abstract, dialectical tone of your synopsis will, of course, disappear in the development. (CW40: 304)

As Marx took Engels's concern seriously of course, so Engels tried to get closer to the new understanding his best friend acquired of their old common antagonist. Probably the decisive moment was Marx's visit for 2-3 weeks to Engel in Manchester from 6 May 1858; one month after the latter had received the above letter. There must have been an extensive debate over Marx's new understanding of dialectics, together with sort of a consensus to a degree; by July of the same year, Engels's attitude towards dialectics had become quite positive, and he did show an extraordinary interest in Hegel's *Philosophy of Nature* suddenly (CW40: 326).¹¹⁶

¹¹⁵ It was dated 2 April 1858 and, before that, Marx sent two more letters with similar plans to Ferdinand Lassalle (CW 40: 269-71, 287).

¹¹⁶ Interestingly, Engels speaks of the cell in this letter, and it seems to envision Marx's expression 'economic cell form' (CW35: 8).

The impressive change in the attitude of Marx and Engels to dialectics might be best represented in the two-piece unfinished review of Marx's *A Contribution to the Critique of Political Economy* (1859). Although the review came out under Engels's authorship, there is every reason to believe it was—virtually—jointly prepared by the two. When the *Contribution* was published in June, Marx appeared extremely nervous obviously because it was his first serious economic publication after a decade of hard working in London. Even if he did not expect it to be a huge success, he did hate his elaborate product to be misunderstood:

Biskamp wanted to write a short review of my *Critique of Political Economy*, etc. I dissuaded him, for he knows nothing about the subject. But since he has undertaken (in the *Volk*) to say something about it, I should like you to do it for him . . . (CW40: 471).

This is the underlying reason he asked, repeatedly, Engels to write a review '[b]riefly on the method and what is new in the content' (CW40: 471. See also CW40: 473). With hesitation due to lack of confidence, Engels did send a first instalment to Marx, which was immediately published in *Das Volk*, the London-based German periodical. However, there is no known evidence that Engels sent the second one which was more important, and largely about the 'method' as Marx had requested. This does encourage a suspicion that it might be Marx who wrote it. Even if this is not the case, and it was actually drafted by Engels, we can still argue that Marx made amendments to it extensively, not least considering his hysterical concern about the above-mentioned 'misunderstanding',¹¹⁷ and his role of 'virtual editorship' of the periodical (Lattek 2006: 176). Therefore, we can say quite confidently that the views expressed in it were largely shared by Engels and Marx although it remains uncertain at what stage, and to what degree Marx was actually engaged in the making of this review.¹¹⁸

Marx was and is the only one who could undertake the work of extracting from the Hegelian logic the nucleus containing Hegel's real discoveries in this field, and of

Everything consists of cells. The cell is Hegelian 'being in itself' and its development follows the Hegelian process step by step right up to the final emergence of the 'idea' . . . (CW40: 326. See also CW41: 545-56.)

¹¹⁷ Engels was very well aware of it: 'if you don't like it *in toto*, tear up and let me have your opinion. . . If you can knock it into shape, do so' (CW40: 478).

¹¹⁸ Arthur (1996b) makes an opposite judgment.

establishing the dialectical method, divested of its idealist wrappings, in the simple form in which it becomes the only correct mode of conceptual evolution. The working out of the method which underlies Marx's critique of political economy is, we think, a result hardly less significant than the basic materialist conception (CW16: 474-75).

But Marx's dialectics in the *Contribution* turned out incomplete, and he continued to fight his way to forging it afterwards. And it was as late as 1873 that he could at last utter 'my dialectic method' avowedly, as opposed to Hegel's (see below).

5.2.2. Thinking and Presentation: Marx's Real Problem Regarding His Dialectical Method

Marx's dialectical method is generally regarded as one of presentation, but this is not accurate. It is useful here to distinguish thinking and presentation; then it becomes obvious that dialectics, or dialectical method is more than anything else for thinking. This understanding persists in Marx from the outset in spite of his varying attitude towards dialectics.

However, this does not mean that dialectics has nothing to do with presentation. It was Marx who, nearing the completion of *Capital*, said 'my writings . . . are an artistic whole' (CW42: 173), and boasted of its dialectical structure as a unique achievement only the Germans could make: 'the composition, the structure, is a triumph of German scholarship' (CW42: 232). Marx was very meticulous in enhancing the degree of perfection of his 'dialectical presentation', as much as to say to Engels who, after examining the proof sheets of *Capital*, had raised the necessity of preparing for possible objections: 'if I wished to *refute* all such objections *in advance*, I should spoil the whole dialectical method of exposition' (CW42: 390).

Further, there is a unanimous consensus on the fact that Marx even followed Hegel's way from time to time to improve the aesthetics of presentation (cf. Mattick 1993). However, this must not be exaggerated. For, apart from the fact that he expressly states that he 'coquetted with the modes of expression peculiar to him' (CW35: 19), it might not be difficult to detect Hegelian traces, especially for those who are passionate to do so, from the writings of Marx who from his intellectual adolescence

inhabited in the strong authority of Hegel and Hegelianism. Therefore, it should not be totally absurd *in principle* to compare, or even identify Marx's presentation in *Capital* with Hegel's in *Logic*, as many do to varying degrees. This is all the more so, for Hegel's *Logic* is concerned with the general structure and process of logical thinking *per se*.

However, the problem that really plagued Marx regarding presentation was somewhere else. It originated from two facts; one was that Marx regarded dialectics primarily as a way of thinking, and the other that he forged his own dialectics in contradistinction to Hegel's. In other words, the problem was: how could Marx realise the essential superiority of his distinct dialectical *thinking vis-à-vis* Hegel's at once at the level of *presentation*, and effectively show it to the readers of his work? By nature, this problem could only be solved by means of making the difference against Hegel's method of presentation manifest, not mimicking it. This problem was never to be settled with ease, however, given the development of the matter from around 1858 when it began to be taken seriously by Marx to the present.

First of all, let us make sure in what sense Marx thought his dialectics—as a way of thinking, of course—was different from Hegel's. To do this, it would be worth reminding the famous passage from the '1857 Introduction' to the *Grundrisse*:

(1) If one were to start with population, it would be a chaotic conception of the whole, and through closer definition one would arrive analytically at increasingly simple concepts; from the imagined concrete, one would move to more and more tenuous abstractions until one arrived at the simplest determinations. (2) From there it would be necessary to make a return journey until one finally arrived once more at population, which this time would be not a chaotic conception of a whole, but a rich totality of many determinations and relations (CW28: 37. My numbering).

Here, Marx identifies two distinct 'courses' of research of opposite directions to each other. According to him, the first concerns 'begin[ning] with the living whole . . . [and] conclud[ing] by discovering through analysis a small number of determinant, abstract, general relations', and in the second 'the abstract determinations lead towards a reproduction of the concrete by way of thought'. While, as pointed out earlier (§ 5.1.3), Marx finds these two appearing chronologically in the history of political economy from the seventeenth century onwards, and praises the latter as 'obviously the correct scientific method', he at the same time authorises both of them

as valid, as two essential stages to pass through to arrive at scientific cognition of the object.

What is interesting here is that Hegel also makes similar identification of two ways of cognition, calling them ‘analytic’ and ‘synthetic’, respectively, in the last part of his *Science of Logic* (Hegel 1969[1816]: 783-818). Actually, as Jindřich Zelený affirms, they have long been recognised as two distinct methods of getting to scientific knowledge in the West European intellectual tradition since the times of Aristotle, and such German philosophers as Kant, Fichte, and Hegel were those who developed their relationship to each other in the most sophisticated manner (Zelený 1980[1962]: Ch. 10; Ilyenkov 2008[1960]: 164-65). In this sense, Marx should not be credited for making such a distinction between the ‘analytic’ and the ‘synthetic’.¹¹⁹ Where Marx really distances himself from his predecessors comes at the next step: whereas the second course, the synthetic method for thinking, is ‘simply the way in which thinking assimilates the concrete and reproduces it as a mental concrete’, Hegel according to Marx went too far as to having ‘arrived at the illusion that the *real* was the *result of thinking* synthesising itself within itself, delving ever deeper into itself and moving by its inner motivation’ (CW28: 38). Thus argues Marx:

My dialectic method is not only different from the Hegelian, but is its direct opposite. To Hegel, the life process of the human brain, i.e., the process of thinking, which, under the name of “the Idea”, he even transforms into an independent subject, is the demiurgos of the real world, and the real world is only the external, phenomenal form of “the Idea”. With me, on the contrary, the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought (CW35: 19).

Insofar as the essential difference is located in the domain of thinking, it cannot but be expressed in such a form of an aphorism as this:

¹¹⁹ However, things appear quite different if Marx is compared with the political economists, whether ‘classical’ or ‘vulgar’ (See § 3.2). Partly because of the failure of establishing the relationship between analysis and synthesis properly, in bourgeois political economy, ‘[s]ynthesis, a comprehension of the necessary connection between the abstractly considered constituent elements of the object (labour, capital, profit, etc.), proved to be impossible exactly because analysis that singled out these categories was *one-sided analysis*’; in short, ‘[a]nalysis made synthesis impossible’ (Ilyenkov 2008[1960]: 227).

[I]t is always necessary to *remember* that the subject, in this context modern bourgeois society, is given, both in reality and in the mind, and that therefore the categories express forms of being, determinations of existence—and sometimes only individual aspects—of this particular society, of this subject . . . (CW28: 43. My italics).

In the end, such a cryptic expression Marx (and Engels) liked to use as that ‘[Hegelian dialectics] is standing on its head’ (CW35: 19)¹²⁰ has to be understood as pointing out the above conversion of subject and object in Hegel, not only in ‘presentation’ but, more fundamentally, in ‘thinking’. Then, how can the researcher express in *presentation* the fact that she/he is ‘remembering’ the above point? This is the *real problem* posed to Marx as to *presentation*.

The first economic work Marx wrote based upon his new understanding of Hegel, struggling with the problem, was the *Contribution* of 1859. How then to spell out the decisive difference of his own way of thinking from Hegel’s? One may detect the modification of the order of presentation so that it began not with value but commodity, which had not appeared at all in the original plan.¹²¹ In other words, rather than beginning the presentation with the *invisible concept* of value which concerned the very core process of the capitalist economy, Marx chose to deploy to the fore what was the simplest and most concrete, the commodity, and made it speak for itself about value.¹²² Consequently, value could be posed as really existent in the exchange relations, not a mere concept that can claim its reality only in thought.

¹²⁰ Fuller quotation: ‘With him [Hegel] it [dialectics] is standing on its head. It must be turned right side up again’. Interestingly, Chris Arthur insists that the expression originates from Engels’s review of Marx’s *Contribution* of 1859: ‘[Hegel’s mode of thinking] stood it [the actual relation] on its head’ (CW16: 474). What he is doing in saying so is to argue that ‘the tradition that Marx’s work should be approached through a study of Hegel was first established in Engels’s review’ (Arthur 1996: 181). However, aside from our suspicion concerning the real authorship of the review, Marx did actually employ the expression well before Engels used it, as early as in the *Poverty of Philosophy* of 1847: ‘Impersonal reason ... is [in Hegelianism] forced to turn head over heels’ (CW06: 162-63).

¹²¹ See Marx’s letters to Engels of 29 November 1858 and 13-15 January 1859 (CW40: 358 and 368).

¹²² In this sense, it is not accurate to say that the original order ‘value-money-capital’ Marx devised in the *Grundrisse* was replaced by the new one ‘commodity-money-capital’; commodity here plays the role of introducing value, not substituting it: ‘when considering value as such, nothing further is required’ than the commodity (CW31: 393).

However, probably the most striking feature of the *Contribution* in terms of the mode of presentation would be that historical examples are amply associated with individual theoretical points, together with the independent sections for the history of the discussion of them. Engels (and Marx) tried to justify this method of presentation in his review as follows:

We see that with this method, logical development need by no means be confined to the purely abstract sphere. On the contrary, it requires historical illustration and continuous contact with reality. A great variety of such evidence is therefore included, comprising references both to the actual course of history at various stages of social development and to the literature on economics, in which the working out of lucid definitions of economic relations is traced from the beginning (CW16: 477).

In spite of such efforts made, nonetheless, the *Contribution* was to be reduced to the object of criticism for its Hegelian appearance not only from others but from Marx and Engels themselves until the publication of the former's *Das Kapital* in 1867; this must be partly why he wrote this book which had originally been planned as a sequel to the *Contribution* so that the former included the latter completely (CW41: 94, 333, 437, 488; CW42: 329, 384-85).

That is, it seemed to prove much more difficult than Marx had initially thought in writing the *Contribution* to articulate at the level of presentation the distinct features of his 'rational dialectics'. This difficulty must have been felt by Marx most seriously when, after the publication of his *magnum opus* after long gestation in September 1867, criticisms were heard that its presentation was also idealistic. It might not be sufficient to complain about the reviewers' lack of understanding, saying 'the method employed in *Das Kapital* has been little understood' (CW35: 17). Indeed, it was probably the most important purpose Marx had in mind when he wrote the 'Afterword' to the Second Edition of *Capital* in 1873 to deal with such accusations as directed to his 'method'. The same was true of some major modifications he made in the body of the book, and especially the section on the value form was 'completely revised' (CW35: 12).¹²³

¹²³ Examining the proof sheets of the First Edition upon Marx's request, Engels advised him to make the book more readable if at the expense of the dialectics of presentation, and to insert more historical evidence. Especially regarding the section on the value form, he

Marx's distinction between the methods of 'inquiry' and 'presentation' in the '1873 Afterword' can be understood in the same context although it does not appear so effective.

Of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyse its different forms of development, to trace out their inner connection. Only after this work is done, can the actual movement be adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected as in a mirror, then *it may appear as if we had before us a mere a priori construction* (CW35: 19. My italics).

While this is sort of Marx's own explanation why his *Capital* might appear to some people to be 'ideal',¹²⁴ admittedly it is not a good one; here he is simply describing the problem he has been suffering from in relation to presentation, rather than providing an explanation of the confusion the readers might have. Again, the problem is: given that even the materialistically worked-out research might appear ideal when presented, how can the researcher make it appear as it is, distinct from the genuinely idealistically worked-out one?

In spite of Marx's endeavour, misunderstanding still abounded after the publication of the second German edition in 1873. Probably the last lengthy response of Marx was the marginal notes towards Adolph Wagner who, (mis-)understanding Marx's value theory in 'the traditional German professorial confusion' (CW24: 534), criticised it for not being ideal enough(!):

It is from the *value-concept* that *use-value* and *exchange-value* are supposed to be derived d'abord [first of all] by Mr. Wagner, not as with me from a *concretum*, the *commodity* . . . (CW24: 537-38).

All this is "drivel". . . I do not proceed from "concepts", hence neither from the "concept of value" . . . What I proceed from is the simplest social form in which the

suggested it should be extensively rewritten although Marx in the end followed Kugelmann's advice to keep the dialectical expression in the body and, instead, to attach an appendix. In the Second Edition, however, Engels's advice is now more valued, partly because of the criticisms of the abstractness of expression (CW42: 382-83; CW35: 12).

¹²⁴ 'The *European Messenger* of St. Petersburg . . . finds my method of inquiry severely realistic, but my method of presentation, unfortunately, German-dialectical [i.e., ideal]' (CW35: 17).

product of labour presents itself in contemporary society, and this is the “commodity”. This I analyse, initially in the *form in which it appears* (544).

As is now manifest, the decisive difference for Marx between his rational/materialist dialectics and Hegel’s mystified one lies in whether the relations and movement of real objects, when translated into those of concepts, still remain as the subject or are degenerated into the product of the concepts. How can one effectively externalise such difference in thinking that is very crucial but hard to appear, but that has no other way to appear than by way of presentation in the end? This consists of Marx’s central problem concerning presentation and, to see how he tried to approach this problem, in the next subsection, we will examine the peculiar ways that the real and the historical is treated in *Capital* (Volume One) where Marx’s value theory is presented in the most mature form.

5.2.3. Dialectics and History/Reality¹²⁵

The most prominent way in which the critical feature as above appears in Marx’s value theory would be through the economic categories so devised as to carry the historicity and reality of those relations they reflect for themselves. However, as long as the root of the problem is located in the conceptualisation of the categories in general, it will not be confined to their historicity/reality, but necessarily summon the more abstract issues raised in § 5.1 such as those concerning the completeness of conceptualisation, the inner connectivity between categories, etc. Such a problem of conceptualisation in general, then, will amount to the mental process of ‘abstraction’ and, as well-known, Marx forged his own way of abstraction by criticising those taken by others including Smith and Ricardo as shallow, idle, simple, infantile, trivial, arbitrary, simple formal, incomplete or wrong, forcible, forced/false, and violent (CW28: 13, 34, 80, 181; CW29: 476; CW30: 151, 395; CW31: 338, 487; CW32: 72; CW35: 311; CW37: 838). Generalising this criticism, and building upon the discussions led by his predecessors like Lenin (1976), Ilyenkov (2008[n.a.];

¹²⁵ A few general methods to highlight the above difference have already been pointed out; for instance, the opening up of presentation with the commodity which is a physical object in reality, instead of value which is an abstract concept, etc.

2008[1960]) and Zelený (1980[1962]), Alfredo Saad-Filho delivers a robust argument for Marx's 'real abstraction' against 'mental generalisation' which is pervasive over social sciences (Saad-Filho 2002: 8-15).

To turn back to the issue of the historicity/reality of categories, it simply indicates the very basic limitation that any research about modern society, as well as the researcher, is inevitably predicated within a historical social form, and reminds the above-mentioned aphorism that the researcher has to remember that society as subject is always there outside the procession of thinking: 'Thus when we speak of production, we always have in mind production at a definite stage of social development' (CW28: 23). For example, while arguing the value of a commodity is determined by the socially necessary labour time (SNLT) contained in it, succeeding the insights of Adam Smith and David Ricardo, Marx never forgets that such determination obtains validity only under a specific set of historical/real conditions; otherwise, it will be reduced to a mere abstraction. Indeed, even the idea 'average' as is presupposed in the determination of value by the SNLT is a modern product. To be a *real force*, it at least requires the population of the group upon which it is calculated to be of or over a certain size. For instance, we can talk about the average height of the human being on this planet. But what if there are only two people, Adam and Eve, on earth? It would be simply meaningless even to try to calculate the average height. By the same token, the appearance of large-scale production on a regular and persistent basis is an essential historical presupposition for the real establishment of the concept 'value'.¹²⁶ Based upon this clear understanding Marx could avoid the kind of 'delusion' frequently observed to possess 18th century social thinkers (CW28: 17-18; CW29: 464-66), including Adam Smith who, having developed the concept of value as labour-time based upon his study of *modern* society, tried to reconstruct the *whole* human history around this concept, from its full and pure fulfilment to gradual adulteration: 'In his analysis of exchange value, Adam Smith still makes the mistake of accepting the undeveloped form of exchange value in which it still appears merely as a surplus over and above the use value turned out by the producer for his own

¹²⁶ Therefore, it is not surprising the modern concept of average, introduced in the English language as late as the late-15th century, was first developed in the marine insurance industry where quite a lot of data were aggregated and processed regularly and persistently.

subsistence, as its adequate form, whereas it is only a form of its historical manifestation within a system of production which it has not yet caught hold of as a universal form' (CW29: 466).¹²⁷

In a sense, this is simply commonsensical—though very easy to forget—and, as Zelený aptly points out right after a close examination of corresponding pieces of Marx's and Ricardo's texts, there is not much to be called Marx's 'distinctive' insight here (Zelený 1980[1962]: 17). Rather, it was simply that Marx unlike other political economists tried to pose and answer a set of questions that would bring effectively to light the historical/real limitedness of the objects at hand:

The main point of the Marxian argument is the answer to another question, namely: under what social conditions does labour turn into value, the sort of labour that creates exchange-value? How is the money-form of value to be explained? How is the principle, according to which labour is the substance of exchange-value, modified by the development of capital? (Zelený 1980[1962]: 17)

Political economy has indeed analysed, however incompletely, value and its magnitude, and has discovered what lies beneath these forms. But it has never asked the question why labour is represented by the value of its product and labour time by the magnitude of that value (CW35: 91).

On the other hand, the reality of abstraction and the historicity of categories will also rely on various supplementary instruments without which they cannot be fully guaranteed. More than anything else, Marx differentiates his presentation by calling to mind those points repeatedly and explicitly; by inserting in it a tremendous number of historical illustrations. In this sense, they are not merely employed to facilitate the reader's understanding of difficult concepts as is generally the case, but act as the mediator through which logical concepts keep in constant contact with reality within presentation. Through the illustrations they can exist as 'living' concepts in the given theoretical system and, at the same time, it appears obvious that it is reality which gives life to them.

¹²⁷ 'The economic concept of value does not occur among the ancients. . . The concept of value wholly belongs to the latest political economy' (CW29: 159-60). See, for a full exposition of Smith's 'history', Skinner (1976: 30-42). On the other hand, Marx gives credit to Sir James Steuart for recognising the historical character of the bourgeois economic forms (CW28: 18; CW33: 320).

However, the converse is not always true; all the historical expositions in *Capital* are not taken as complements to neutralise the speculativeness of presentation. As Marx emphasised, ‘the dialectical form of presentation is right only when it knows its own limits’ (CW29: 505), and at those very limits—which Marx also called ‘outside the economic form-determination’ (CW28: 174)—are *of necessity* historical expositions summoned.¹²⁸ What requires special attention here is that one of such limits exists in the passage from one category to another. That is why Marx adds the following note, right after dealing with a series of ‘transitions’:

It will later be necessary, before leaving this question, to correct the idealist manner of presentation which makes it appear as if it were merely a matter of the definitions of concepts and the dialectic of these concepts. Above all the phrase: the product (or activity) becomes a commodity; the commodity becomes exchange value; the exchange value becomes money. (CW28: 89)

In spite of Marx’s fairly clear comment as above, the interpretation of ‘categorical transition’ has been one of the most controversial issues in the debate on Marx’s ‘method’. Those in the tradition of Hegelian interpretation would regard it as purely logical; Chris Arthur has recently termed the dialectical logic held by those within such a tendency ‘systematic dialectic’, as opposed to ‘historical dialectic’ which according to him has been dominant in Marxist political economy for decades in the 20th century (Arthur 2002: Ch. 1). Arguing that Marx in *Capital* aimed at reconstructing the inner structure of capital systematically by, driven by its inner logic, moving from one category to another, Arthur severely criticises ‘historical dialectic’ for generalising the idea that such logical transition of categories in presentation corresponds to the step-by-step development of real history. One of Marx’s most important remarks that have prompted and justified the interpretation held by Arthur and his colleagues would be the famous sentences from the ‘Introduction’ of 1857:

It would therefore be inexpedient and wrong to present the economic categories successively in the order in which they played the determining role in history. Their

¹²⁸ ‘The theoretical exposition of a self-developing whole by the materialist, dialectical derivation must necessarily touch on factual historical reality as a set of established, dialectically non-derivative *presuppositions* from which materialist, dialectical derivation proceeds’ (Zelený 1980[1962]: 58).

order of succession is determined rather by their mutual relation in modern bourgeois society . . . (CW28: 44. Also quoted in Arthur 2002: 4; Smith 1990: 21).

Admittedly, the above is also significant in the overall context of this thesis which tries to understand the development of Marx's *problématique* in political economy with the idea 'methodological sophistication' (§ 3.2); for this sophistication refers to the dramatic transition from a historical to a logical/structural *problématique* concerning modern society. Despite, we have argued so far that the historical *problématique* is not completely superseded, but remains in the new framework playing specific roles. Now it is time to make it clearer.

First of all, as Arthur rightly points out, and as we have argued so far, there is little doubt over the fact that Marx was primarily interested in laying bare the inner structure of capital *as an organic totality*, and must have thought that such a structure followed a logical, rather than historical, 'order'. This is most lucidly expressed in some early versions of his notorious 'Plan' when, for example, Hegelian 'substance-quantity-form' (CW28: 194-95), and 'generality-particularity-singularity' (CW28: 205-06) were applied without sufficient explanation.

However, it soon turns out to be impossible to proceed entirely relying upon the 'inner logic' of capital.¹²⁹ It is, on the one hand, because of the emptiness that 'the dialectical form of presentation' would inevitably beget, but also because what Marx seeks for will eventually prove something more than a mere conceptual reconstruction of a given totality; if it had been the only problem at stake, Marx could never have made a lot of difference from Hegel, and it would be more plausible and even necessary to make Marx's somewhat disordered presentation more systematic with the help of Hegel's much more sophisticated dialectics. But we know that was certainly what Marx most abhorred (§ 5.2.2).

Arthur is still right when he states that, being a historical product, capital, once it has stood on its own, transforms all its historical preconditions in its own way, subordinates them to itself, and appears a self-reproducing 'automatic subject' (Arthur

¹²⁹ It was Engels who first expressed doubt about it when he first read the draft of *A Contribution to the Critique of Political economy* in April, 1858: 'the dialectical transition from landed property to wage labour is not yet quite clear to me' (CW40: 304). See also CW28: 206-09).

2002: 73-75). All these ‘historical’ categories will therefore constitute in capital a specific structure, which Marx seeks to expose in *Capital*, logically if you like. However, unless it is a bourgeois positive science which, presupposing its object, is only interested in the functional relationships between its elements, this exposition is simply synonymous to one of the ‘becoming’ of capital; in a sense, this is what Hegel’s *Logic* tells us. But, again, as far as the ‘becoming’ of capital is concerned, it is to Marx obviously *historical*, and not, as in Hegel, to be thought nor presented idealistically as the self-realisation of capital: ‘This dialectical process of becoming is only the ideal expression of the real movement through which capital comes into being’ (CW28: 236). Hence, the *resurgence of history*. However, now that we have the specific *problématique* of examining the inner structure of capital rather than its place in history, ‘history’ must be re-employed in a more *definite* manner. In other words, now history is not history in general, but the history of capital, esp., the *history of the formation of capital*. In the end, it seems that Arthur fails to appreciate the difference between this and the general history as opposed to ‘logic’ by Marx in his above-quoted seminal comment in the ‘1857 Introduction’.¹³⁰ Thus, for instance, when Marx says that money is precedent to capital historically (as well as logically), what he really means is it is so not *chronologically*—even if it is the case—but from the more definite perspective of the formation of modern capital. Then, the way Arthur problematises the relationship between history and logic proves either too simplistic for the above reason, or too rigid probably because he was too conscious of the ‘evils’ that ‘historical dialectic’ has produced in the understanding of Marx. However, here, it suffices to stick to Marx’s basic attitude that logic is a conceptual expression of historical/real development.

Such a return to history, i.e., the history of the formation of capital plays its own *original* critical role and, to that extent, is essential in Marx’s critique of political economy. He says:

¹³⁰ To maintain his rigid opposition of history and logic, Arthur distorts the actuality of the former history: ‘The history here is a ‘virtual’ one’ (Arthur 2002: 120). However, what he does here is confusing two distinct ‘histories’, simply identifying them. The histories in Chapters 24 and 32, respectively, are not identical. While, as we have argued, the latter is the real history partly concerning the formation of capital, the former is, as Arthur rightly puts it, the history ‘as it must be written from the vantage-point of capitalism’ (*Ibid.*). This history is the one held by those ‘bourgeois’ social thinkers and political economists.

The bourgeois economists, who consider capital to be an eternal and *natural* (not historical) form of production, nevertheless try to justify it by declaring the conditions of its becoming as the conditions of its present realisation, i.e. they present the moments in which the capitalist still appropriates as non-capitalist . . . as the very conditions in which he appropriates *as capitalist*. These attempts at apologetics demonstrate a bad conscience and the inability to bring the mode of appropriation of capital as capital into harmony with the *general laws of property* proclaimed by capitalist society itself (CW28: 388).¹³¹

Here, the close examination of the history of capital formation is plainly seen to be essential in criticising the above ‘apologetic’ attempts on which the legitimacy of political economy is partly but significantly based. Lastly, it is notable that Marx stresses this critical point is posed and processed spontaneously by his own method: ‘our method indicates the points at which historical analysis must be introduced, or at which bourgeois economy as a mere historical form of the production process points beyond itself towards earlier historical modes of production’ (CW28: 388-89).

In short, we can conclude this discussion by making sure the basic but frequently understated proposition that the presentation in Marx’s value theory is driven not by the self-development of the Idea, but by the development of reality, and that it is confirmed in his presentation over and over again. The references to history/reality in Marx’s value theory are made not only to vitalise highly abstract concepts, but whenever those concepts need to advance. They are by no means a mere instrument that is to be, if ever, introduced to lessen the difficulty in the logical expansion of concepts, and so might be deleted without causing any problem at all: ‘the argument of *Capital* is generally logical with historical material indicating how certain tendencies inherent to the concept were played out in reality’ (Arthur 2002: 76).¹³²

¹³¹ See also CW29: 461-64. Especially: ‘*That would produce the strange result that the truth about the bourgeois society’s law of appropriation would have to be transferred to a time when this society itself did not as yet exist, and the basic law of property, to the time of propertylessness*’ (CW29: 463). In passing, it is apparent that this sort of argument has much to do with, amongst others, ‘normative’ moment of critique. See § 5.1.2.

¹³² Unlike Arthur to whom the lengthy historical exposition in Chapter 10 of *Capital* appears ‘strictly illustrative and does not advance the argument’ (Arthur 2002: 75), Marx does make it explicit why he gave ‘so large a space in this volume to the history, the details, and the results of English factory legislation’ (CW35: 10). In the end, the immediate main audience of *Capital* Marx had in mind were the German progressives including the working class for

5.3. CONCLUSION

The immediate purpose of this chapter has been examining and paving the theoretical basis for introducing a new category into the existing body of theory which will be performed in the following chapter. For this, we have produced a distinct interpretation about the construction of Marx's value theory. Whilst positively drawing on the fact that it was deployed as a critique of political economy, we have made effort, regarding its relationship with Hegelian dialectics, to demonstrate exactly where and how Marx tried to draw distinction from it. In consequence, a result has been generated which looks quite different from the conventional interpretation of his dialectics and method.

This might arguably be a general account of the construction of Marx's value theory, but it can in no way answer all the issues raised in the history of Marxist political economy with regard to his method. Despite, at the same time, it does make some modifications in the priorities of those issues. For example, while the issue of the beginning/procession/finishing of presentation has been recognised to be central for Hegelian Marxists who have been most enthusiastic in the research area concerned, the status of this problem according to our interpretation proves to be secondary; at least, one cannot but admit that it is less important than (i) Marx's critical judgment which is again subject to the specific, and sometimes contingent, way of the development of its object, political economy, and (ii) his emphasis upon the real and the historical which is partly the outcome of his 'distancing' strategy from Hegel. From this perspective, the conventional way in which Marx's 'dialectical method' has been problematised appears distorted: firstly, the matter is restricted to one of presentation without sufficient evidence whatsoever and, as a result, Marx's

whom the English case would certainly show a vision for their future struggle even if, on the other hand, it is also true that such a long illustration was not what Marx had originally planned (CW42: 223-34. But Arthur does not acknowledge it in his book). In South Korea, interestingly, it has long been a convention to start reading *Capital* from Chapter 10, and go back to the first. The meaning of the historical as an 'exemplar' will be more developed at a general level in the next chapter.

presentation is simply assumed to be problematic, mystical, something to be explained (cf. Fine and Saad-Filho 2008: esp. 170). And so it *was* explained in a number of ways, leaving what we referred to as Marx's 'real problem' largely untouched.

As we have tried to show, Marx's value theory as a logical construct does include some emptiness in it. This emptiness, however, does not represent its incompleteness, so much as points to the inevitable limitations any social theory would have. Then, it would be a futile job to try to fill the emptiness with *more* logic; on the contrary, it is one of the advantages Marx's value theory has that it 'knows its own limits', as he himself emphasised. To that extent, it is 'determinate' emptiness, to use Hegelian term, which is necessarily to be complemented either by historical accounts as is amply done by Marx, or by the class struggle and human collective practice in the future which often requires Utopian visions as Sheyla Benhabib shows.

In retrospect, Marx's reservation of dealing at length with the world market has tended to be interpreted by some, if not all, commentators in such a way that the discussion of capitalist international economic relations should be an instance of such emptiness; in other words, this is where logic stops, and where *only* historical analyses can fill the gap.¹³³ Indeed, the twentieth century saw the most dynamic historical developments in the international arena, and in an unprecedented manner. Surely, this has helped foster the idea that international economic relations are an area of study to be approached empirically rather than theoretically.

This is true in the general sense that any theoretical category has in it the lacuna which can only be filled with empirical studies. However, it is still very important to lay the theoretical basis upon which such studies can properly be placed. It is all the more so, for Marx's value theory has the definite theoretical purpose as a critique of political economy. On the other hand, the introduction of a new category always gives rise to two sets of problems. The first is how the existing body of theory constructed right before the introduction would be further developed on the new basis. In the history of economic thought, for instance, John Stuart Mill sought to further develop

¹³³ The theory proposed by the Japanese Uno School is a striking example, but this is not the only one.

the theory of value under the title of ‘international value’ (see § 6.1.1). Secondly, new elements, which could not be touched upon so far, can now be properly addressed in the expanded body of theory: in the case of the world market, those themes such as the exchange rates between national currencies, the varieties of capitalist development, the transition of the so-called ‘hegemony’ in the world economy, etc. In this thesis, our main interest lies in the former issue, and we try to outline in the next chapter how Marx’s value theory as a critique of political economy would be modified, and further developed by the introduction of the new category, the world market.

CHAPTER SIX

THE WORLD MARKET

In the Preface of the Volume One of *Capital*, the most developed but unfinished crystallisation of his project of the ‘critique of political economy’, Marx said his object of study was ‘the capitalist mode of production, and the relations of production and exchange corresponding to that mode’, and that his ‘ultimate aim’ in this work was ‘to lay bare the economic law of motion of modern society’ (CW35: 8, 10). Therefore, it is obvious that IERs (international economic relations), into which Marx did not have a chance to delve, have to be approached under such premises. Hence the question: now that economic relations *in general* have already been dealt with in *Capital* but very abstractly, how can a theory of *international* economic relations be developed from the more general theory?

More specifically, since Marx’s value theory is always forged in contradistinction with existing theories of political economy, it is crucial to highlight the critical points Marx was to make *vis-à-vis* those theories of Smith, Ricardo, etc. Also, since it is established in **Chapter 5** that Marx’s concept of critique has both positive (analytical) and negative aspects, the introduction of the new category of the world market into the existing corpus of his value theory will develop it in two ways. This task is indispensable both in terms of the structure of his theory of the capitalist economy and, more generally, of his whole intellectual journey whose necessary outcome is the development of value theory (see **Part I**).¹³⁴

This chapter directly builds upon the debates covered in **Chapters 4 and 5**. The former was about the concept of the world market *per se* in the broader intellectual tradition of Western Europe. Here, the world market itself was regarded as coming into existence with the advent of the modern economy, and as the ultimate sphere where the modern economy was put into full action, and grasped as such. However, what makes matters very complicated is that Marx following his French Physiocratic

¹³⁴ Especially, in relation to the second point, considering the tremendous significance of the *problématique* of the ‘globality’ of the modern world in Marx’s early intellectual stages, the task to be undertaken in this chapter proves inevitable in establishing the relationship between the young and the mature Marxes.

predecessors deals with capitalism as if it were a single national economy while abstracting it from its globality in which the existence of multiple national entities is necessarily implied (§ 4.2.2). This assumption was to be loosened and finally lifted away as the analysis matures: this is necessary not just for the introduction of the new category, but also for developing the existing ones further, especially to make them practicable in today's 'globalised' world. Then we will have the more complicated and analytically empowered value theory constructed upon the more realistic world of what Marx and his predecessors called the world market.

On the other hand, what is suggested by the fact that *Capital* is written from the beginning under what we call 'one-national-economy' assumption is not that Marx was uninterested in the character of the capitalist economy abstracted from by that assumption; it simply tells us that he was extraordinarily conscious of the order and the logic of his theory-building. These have so far been discussed in Marxist political economy under the theme of 'method', which we dealt with in **Chapter 5** at a general level. As we insisted there, order and logic in Marx's critique of political economy are significant not because they represent the inner structure of capital as Hegelian 'Idea' that otherwise cannot be grasped properly (cf. Chris Arthur), but because which order and logic to take determines the character of the problems to be posed, and the answers to be sought. It is in this sense that it is legitimate to say the introduction of a new category and, thereby, the expansion of the whole theory, is in itself a step forward in Marx's project of the critique of political economy.

6.1. A CRITICAL REVIEW OF THE ECONOMIC THEORIES OF THE GLOBAL

As discussed in § 4.1, Marx's take on the world market was heavily inspired by his predecessors, but it is not sufficiently certain exactly what elements he wanted to inherit from existing theories, how he criticised or supplemented them, and in what direction he wanted to develop them.

6.1.1. From Mercantile to Neoclassical: ‘Gains from Trade,’ or Lack of Systematicity

(a) In the globalisation debate since the early- or mid-1990s, a mythical premise became dominant that before ‘globalisation’ took place the world economy was merely a collection of multiple national economies deemed to be more or less self-contained, and that it had been forged as a *natural* result of the development, gradual or sudden, of those national entities; in other words, it was assumed that the world has evolved from the ‘local’ to the ‘national’, and to the ‘global’ stage. But, in time, such thinking was severely challenged, and proved to be a sheer myth based upon *superficial observation*, partly as a result of historians joining the debate (Hopkins 1999: Introduction). Earlier instances of global intercourse between distant peoples were discovered and, consequently, the origin of globalisation was pushed back to as early as the twelfth or thirteenth century when Genghis Khan conquered Eurasia. Furthermore, some of those historians of globalisations, together with some ‘sceptics’ of globalisation, have sought to show that the pre-1970s globalisations were greater than the one witnessed since the late-1970s.

It is no surprise, therefore, that economic relations between distant nations remained firmly at the centre of attention of the English political economists of the pre-classical era.¹³⁵ It was in the international arena about which the political economic phenomena they were concerned were mostly taking place: ‘in a real sense there was an international “economy” (integrated and interdependent economic relations) *before* there were national economies. In the seventeenth century London was more economically integrated with Amsterdam than it was with large parts of England’ (Aspromourgos 1995: 124. Original italics). However, it needs stressing that what this suggests is not so much the greatness of international trade as the un(der)development of internal trade and markets. Anyway, it is natural for most 17th and 18th century

¹³⁵ Yet, there is an issue of determining the borders of ‘classical’ political economy. While Marx who is arguably the first to make such a definition includes some pre-Smithian economists such as William Petty in that category (CW35: 92n), it is not conventional by today’s standard. See, for discussion, Milonakis and Fine (2009: Ch. 2). We follow their definition, unless otherwise indicated: ‘Classical political economy will be defined here to include the writers from Adam Smith to John Stuart Mill, including Bentham, Ricardo, Senior, Malthus, Mill and Cairnes’ (Milonakis and Fine 2009: 13).

political economists to regard the international as a *normal* field against which they commented on economic matters, and it is understandable for Sir James Steuart, the last representative of the Mercantile School, to enumerate what was largely if not necessarily acquired from trade with distant nations, the so-called ‘profit upon alienation’, as constituting a *normal* part of the price of a commodity: ‘In the price of goods, I consider two things as really existing . . . the real value of the commodity, and the profit upon alienation’ (Steuart 1765: 159-61). According to Ronald Meek,

The gains from foreign trade were so manifest and so considerable, and their importance as a source of capital accumulation so obvious, that the commercial classes *inevitably* regarded the prosperity of the country as being largely dependent upon the size of their own profits. [. . .] If, therefore, the revenue from the sale of a commodity exceeded the cost of producing or acquiring it, the excess was regarded as originating, not in the process of production, but in the act of exchange. *All industrial and commercial profit, in other words, was ‘profit upon alienation’* (Meek 1962: 349. My italics).

Interestingly, however, the same superficiality as displayed by modern economists of globalisation overwhelms the mercantilist discourse: both take *what comes first to their senses* as their respective points of departure. Further, partly because mercantile economists took the international for granted, they do not seem to have cared much about presenting their theory of *international* economic relations as a *special* case of a more *general* theory of economic relations *per se*, or as one opposed to its counterpart concerning *domestic* relations. To put it differently, the conceptual as well as practical differentiation between the national and the international did not advance enough, and the idea of a *more general theoretical field* capable of embracing both as distinct categories did not yet occur to the mercantilist’s mind clearly.

Such a general approach was taken by French Physiocrats. According to François Quesnay in whose ‘workshop’ the school was forged (Théré and Charles 2008), to deal with foreign trade *properly*, ‘it is necessary to make a few fundamental observations about *trade in general*’ (Quesnay 1757: 197. My italics). Moreover, while recognising the importance of foreign trade for stimulating the (internal) economy (Charles 2000: 7), Quesnay in principle thought wealth could not originate from commerce since it is simply an exchange of things of equal value (Vaggi and

Groenewegen 2003: 60).¹³⁶ It can be argued that such an attitude of the Physiocrats reflected the reality faced by them: France in the eighteenth century was basically a lagging-behind agricultural state with lots of feudal restrictions, for which ‘the gains from foreign trade were of little economic importance’ (Meek 1962: 349-50). Consequently, they were more interested in how to organise the internal economy, and tried to formulate a theoretical model of the economy abstracted from relatively unimportant factors like foreign trade (*Ibid.*: 370, 377). This happened to lead Marx and Engels to lavish exceptional praise on the Physiocrats, for example (cf. Malle 1979 and Gehrke and Kurz 1995):

Political economy [. . .] acquires its true content among the Physiocrats, since they were the first to treat political economy *systematically*. [. . .] Thanks to the Physiocrats, political economy for the first time was raised to the rank of a special science and has been treated as such ever since (CW5: 409, 412. My italics).

In the end, Marx’s ‘one-national-economy assumption’ which is so essential to the present discussion was a methodological premise he explicitly inherited from the Physiocrats: ‘leaving foreign trade out of account—as the Physiocrats rightly did and had to do in an abstract study of bourgeois society’ (CW30: 357). Unavoidably, it is a regrettable irony that such a methodological advantage left the French School lacking in any developed theory of international economic relations (cf. Bloomfield 1989).

Then came Adam Smith. Whilst he appreciated the methodological prudence the Physiocrats had forged, namely, that of systematically analysing the capitalist economy as an internally organic whole, he unlike them could not ignore its international aspect, given its importance to the reproduction of the British economy. But, at the same time, it was also unthinkable for him to follow his mercantile predecessors of whom he was very critical. Indeed, the mercantilists whose ‘ultimate object’ was ‘to enrich the country by an advantageous balance of trade’ (Smith 1776: 642) regarded inland trade as ‘subsidiary’ to foreign trade in so far as it indirectly influenced the state of foreign trade (435). Smith’s interest proceeded in the opposite direction: he was ‘chiefly’ interested in how foreign commercial policies affected the

¹³⁶ To the Physiocrats, ‘the word “gain” [. . .] meant a clear surplus of *value*, which from their point of view trade does not afford. Quesnay, Le Trosne and Mercier did, however, grasp the concept of an increase in utility resulting from trade, but they did not look upon this as a “gain”’ (Bloomfield 1938: 722).

annual produce of a nation's industry (451). Here, 'inland or home trade' was 'the most important of all' since it afforded the greatest revenue, and created the greatest employment to the nation (435).

In the end, the theoretical 'mission' (self-)imposed upon Smith, from the vantage point of the history of economic thought, was the 'dialectical synthesis' of mercantilism and Physiocracy. Such a theoretical advance should be done side-by-side with the establishment of political economy as 'science', i.e., as 'the anatomy of civil society' (see § 3.2.1). The most necessary condition for this would be overcoming the policy-orientation based upon the 'national prejudice and animosity' (Smith 1776: 474) peculiar to mercantilism. Of necessity, this character of the mercantilists was most prominent when they dealt with international economic matters: whether, where, and how much to import or export particular items to make a sovereign or a nation wealthier. In this sense, it is not an exaggeration to say that Smith's success as synthesiser was dependent upon whether he neatly devised a *systematic* theory of international economic relations.

From this perspective, how can Smith's theory of IERs be assessed? First, it is true that Smith, against the mercantilists who 'from national prejudice and animosity' had regarded international trade as the beggar-thy-neighbour policy, stressed that free international trade should encourage the *mutual* benefit of the participating nations. This is obviously a more general, and theoretically more advanced, position.

Nothing ... can be more absurd than this whole doctrine of the balance of trade ... When two places trade with one another, this doctrine supposes that, if the balance be even, neither of them either loses or gains; but if it leans in any degree to one side, that one of them loses, and the other gains in proportion to its declension from the exact equilibrium. Both suppositions are false. ... [T]hat trade which, without force or constraint, is naturally and regularly carried on between any two places, is always advantageous, though not always equally so, to both (Smith 1776: 488-89).

[N]ations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity (493).

[A]fter all the vain attempts of almost all trading nations to turn that balance in their own favour and against their neighbours, it does not appear that any one nation in Europe has been in any respect impoverished by this cause (496-97).

Second, it is important to note that Smith's 'mutual benefit' thesis was still presented in the context of his exaltation of the 'gains from trade'. But since the mercantilists' policy-oriented tendency could never be seen more clearly than in their question 'why does a nation embark on a trade with a foreign one?', and all the discourses on the 'gains from trade' were basically presented as answers to this question, Smith seems to have remained stuck in the mercantile shadow of policy-orientation. Here are two examples of the gains he enumerated:

If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished [. . .] but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage, when it is thus directed towards an object which it can buy cheaper than it can make (Smith 1776: 457).

Between whatever places foreign trade is carried on, they all of them derive two distinct benefits from it. It carries out that surplus part of the produce of their land and labour for which there is no demand among them, and brings back in return for it something else for which there is a demand (Smith 1776: 446).

Rather than a systemisation of the mercantile ideas on IERs in light of the new insights learned from the Physiocrats, this is nothing but a restatement of the old doctrine, 'gains from trade'. The mediocre advance Smith achieved *vis-à-vis* his mercantile predecessors was his *relative* universalism, *i.e.*, mutual benefit through self-interest seeking.

(b) To deal with IERs systematically is nothing but regarding IERs as part of the systematic presentation of the capitalist economy; for example, as a developed form from commerce in general, though IERs are not confined to commercial relations. In other words, it is to trace how the value theory constructed at the most abstract level would modify and assert itself at more concrete levels. Smith's prominent successors,

David Ricardo and John Stuart Mill, were indeed conscious of this question but, eventually, they failed to make any decisive departure from their master.

As for Ricardo, his primary interest lay not in demonstrating in what way foreign trade was beneficial to a nation, but whether it raised the general national rate of profit. According to him, whilst the individual capital involved in foreign trade might *temporarily* enjoy a profit rate higher than normal, it would not raise the general rate of profit unless, as a result of the trade, ‘the food and necessities of the labourer can be brought to market at a reduced price’ (Ricardo 1821: 132).

Foreign trade, then, though highly beneficial to a country, as it increases the amount and variety of the objects on which revenue may be expended, and affords, by the abundance and cheapness of commodities, incentives to saving, and to the accumulation of capital, has no tendency to raise the profits of stock, unless the commodities imported be of that description on which the wages of labour are expended (133).

As demonstrated above, in developing his argument, it was also inevitable for Ricardo to deal with the ‘gains from trade’. Especially, he established that Smith’s doctrine held even when there was a participant that had no absolute ‘advantage’ in producing any of the commodities involved.

To produce the wine in Portugal, might require only the labour of 80 men for one year, and to produce the cloth in the same country, might require the labour of 90 men for the same time. It would therefore be advantageous for her to export wine in exchange for cloth. This exchange might even take place, notwithstanding that the commodity imported by Portugal could be produced there with less labour than in England. Though she could make the cloth with the labour of 90 men, she would import it from a country where it required the labour of 100 men to produce it, because it would be advantageous to her rather to employ her capital in the production of wine, for which she would obtain more cloth from England, than she could produce by diverting a portion of her capital from the cultivation of vines to the manufacture of cloth (Ricardo 1821: 135).

This is the doctrine of *comparative* advantage, and John Stuart Mill later appreciates its significance as follows:

Of the truths with which political economy has been enriched by Mr. Ricardo, none has contributed more to give to that branch of knowledge the comparatively precise and scientific character which it at present bears, than the more accurate analysis which he performed of the nature of the advantage which nations derive from a

mutual interchange of their productions. Previously to his time, the benefits of foreign trade were deemed, even by the most philosophical enquirers, to consist in affording a vent for surplus produce, or in enabling a portion of the national capital to replace itself with a profit. The futility of the theory implied in these and similar phrases, was an obvious consequence from the speculations of writers even anterior to Mr. Ricardo. But it was he who first, in the chapter on Foreign Trade, of his immortal *Principles of Political Economy and Taxation*, substituted for the former vague and unscientific, if not positively false, conceptions with regard to the advantage of trade, a philosophical exposition which explains, with strict precision, the nature of that advantage, and affords an accurate measure of its amount (Mill 1844: 232-3).

Upon such appreciation of Ricardo and his father James Mill, Mill builds his own contribution. Firstly, he summarises the real gains from foreign trade should be that, by rendering the use of the factors of production (labour and capital) in the participating countries more efficiently, it would increase total world production: ‘The addition thus made to the produce of the two combined, constitutes the advantage of the trade’ (Mill 1848: 591). It is here that Mill’s original contribution starts: ‘It is the purpose of the present essay to inquire, in what proportion the increase of produce, arising from the saving of labour, is divided between the two countries. This question was not entered into by Mr. Ricardo’ (Mill 1844: 235).

Mill’s own answer to this question constitutes his theory of ‘international value’. Since the theory of value in general is about the determination of the value of a commodity, so the theory of international value is about the determination of the value of an imported commodity produced in a foreign country:

The values of commodities produced at the same place, or in places sufficiently adjacent for capital to move freely between them — let us say, for simplicity, of commodities produced in the same country — depend (temporary fluctuations apart) upon their cost of production. But the value of a commodity brought from a distant place, especially from a foreign country, does not depend on its cost of production in the place from whence it comes. On what, then, does it depend? The value of a thing in any place, depends on the cost of its acquisition in that place; which in the case of an imported article, means the cost of production of the thing which is exported to pay for it (Mill 1848: 595).

Then, it would be important to determine ‘the quantity of home produce which must be given to the foreign country in exchange’ for a foreign commodity. This ratio is

what Mill called the ‘terms of international exchange’ (*ibid.*). What determines this ratio?

It may be considered, therefore, as established, that when two countries trade together in two commodities, the exchangeable value of these commodities relatively to each other will adjust itself to *the inclinations and circumstances of the consumers* on both sides, in such manner that the quantities required by each country, of the article which it imports from its neighbour, shall be exactly sufficient to pay for one another. *As the inclinations and circumstances of consumers cannot be reduced to any rule*, so neither can the proportions in which the two commodities will be interchanged. We [only—GHG] know that the limits within which the variation is confined are the ratio between their costs of production in the one country, and the ratio between their costs of production in the other (Mill 1844: 239-40. Italics added).

In other words, the international relative demand on the traded commodities determines both the terms of trade, and the ratio by which the whole ‘advantage of foreign trade’ is divided between the two trading nations: ‘The law . . . may be appropriately named, the Equation of International Demand. It may be concisely stated as follows. The produce of a country exchanges for the produce of other countries, at such values as are required in order that the whole of her exports may exactly pay for the whole of her imports’ (Mill 1848: 604).

Ricardo’s and, more aptly, Mill’s problematisations are applaudable, not least for they at least tried to extend, not simply apply, the abstractly constructed value theory onto the international field. Especially for Mill, it is a great step forward that he explicitly distinguished the ‘general law’ of foreign trade from the (individual) ‘causes’ (Mill 1848: 587); according to which the popular discussions on foreign trade—those on the ‘gains’ of trade—were generally concerning its ‘causes’, ‘a surviving relic of the Mercantile Theory’, and even Adam Smith were not free from it (591-2).

However, their attempt at extension of value theory is not successful since both Ricardo and Mill ended up by confirming their own general and abstract principles at the more concrete level, respectively. Ricardo declared the introduction of foreign trade did not generally affect his argument on the formation of the average rate of profit (Ricardo 1821: 132), and Mill concluded that the ‘law of International Values is but an extension of the more general law of Value’ (Mill 1848: 604). This is why Marx judges, for instance, the chapters on external trade in Ricardo’s *Principles*—

Chapter VII ('On Foreign Trade') and Chapter XXV ('On Colonial Trade')—are 'mere application of previously established principles' (CW31: 392).

More importantly, such frustrating conclusions reveal the more fundamental problem of Ricardo's and Mill's versions of value theory.

Because of his completely wrong conception of the rate of profit, Ricardo misunderstands entirely the influence of foreign trade, when it does not directly lower the price of the labourers' food. He does not see how enormously important it is for England, for example, to secure cheaper raw materials for industry, and that in this case . . . the rate of profit rises although prices fall, whereas in the reverse case, with rising prices, the rate of profit can fall, even if wages remain the same in both cases (CW32: 72).

As for Mill, what is at stake is his very concept of value. Whilst he vindicated the cost of production of a commodity reducible to a certain amount of labour as the 'necessary' or 'minimum' basis for its (exchange) value (Mill 1848: 471-2), he placed value essentially under the category of exchange and, consequently, conceptualised it to be subject to the market situation of demand and supply. In other words, for Mill, the value of a commodity is nothing but its market price when its demand and supply are equated; already at this general level, value has little to do with the cost of production, or labour time! This concept of value ultimately can lead to the neoclassical utility theory of value. It is not our present concern to pursue this issue any further, but the next sub-section will be devoted to presenting an alternative based upon Marx's critique of (classical) political economy of which Ricardo and Mill are the main representatives.

6.1.2. The Ricardian Framework: A Critique

(a) As already apparent from above, the Ricardian framework has the following characteristics. First, varied forms of IERs are reduced to a commodity exchange relation, a barter relation. This is obvious in modern textbooks on international economics; here, once the Ricardian comparative advantage is established based upon the famous two-country-two-commodity model, all the proceeding IERs are shown to be reduced to the most elementary form. Such a practice originates from Mill who, in

his *Principles* (1848), formulated the Ricardian two-country-two-commodity model and, then, extended it to many-country-many-commodity cases also easing the original strict assumptions such as the exclusion of transaction costs.

Indeed, Mill's sticking to the barter relation is understandable as such. Since the mercantilists used to found the gains from trade in monetary terms, he felt obliged to disprove it. However, it is not just a matter of whether money is neutral. We need to recognise that IERs are a totality of diverse relations with qualities that cannot be forced to merge together and, more importantly, that an economic theory is not about reducing the complexities of reality to a set of general rules, but about chasing how the core laws assert themselves in concrete reality.

Secondly, in the Ricardian framework, IERs are viewed from the national perspective. It is true that Adam Smith transcended the mercantilists' narrowness by suggesting international trade should be beneficial both to home and foreign countries. But such universality was not achieved by recognising the moment in the world economy which abstracted the particularity of the 'national' economy, but simply by accepting the multiplicity of such particular national economies, and their formal equality.

Lastly, in the theories of IERs based upon the Ricardian framework, international intercourse between national entities is deemed to be beneficial to all the participating parties. In this analytical situation, a national economy is left with a very limited range of choices: whether to produce commodity A or commodity B, or both? In other words, the 'gains' are defined under a very strict set of conditions. Here, it is of another, secondary interest how such 'gains' are distributed amongst the social classes within a nation. It is inevitable, therefore, that it rises as the most important theoretical issue to prove in various ways whether the gains from trade exist, and how they are to be achieved. Of course, since Mill who established the gains from trade to be a matter of use-value, not (exchange-) value, any national differences that might produce any gains in use-value—from that of labour productivity to those of natural or artificial endowment, consumers' taste, overall size of production and market, etc.—become the objects of study. Contemporary textbook theories of international economics are composed of exercises in reducing varied IERs based upon such national differences to a barter relation (e.g. Krugman, Obstfeld and Melitz 2012).

(b) Then, how can the Ricardian framework be assessed? More than anything else, a question should be raised over whether it is legitimate to reduce international trade, or more broadly IERs to a barter relation. Once upon a time, such a form of international exchange was indeed dominant. In pre-mercantile era, for instance, it was strictly banned for a private man to take gold out of the national borders and, therefore, foreign merchants who sold foreign commodities in a country were forced to buy back the country's own commodities with the money they earned in that country (Einzig 1970). Also, for a very long time, it was conventional that 'all transactions [for foreign trade] may be carried out by book payments, [and] at a certain point there is a balance to be paid' (Vilar 1976: 74).

As a result, international trade used to appear as if a barter relation. But this is only a form. It is not a scientific way of analysis to take the form of barter as something real, and to individualise and privilege the category of 'exchange'. Rather, seen from the perspective developed by Marx in his Second Volume of *Capital*, the form can be regarded as a passing moment in the process of the self-valorisation of capital. From this point, the Marxist analysis of IERs begins (see next **section**).

Second, the most fundamental problem of the Ricardian framework is that it is impossible or meaningless to determine if foreign trade is beneficial to a country *theoretically*, and *generally*. If the gains from trade are to be sought in terms of exchange value, it in effect assumes the violation of the basic presupposition of 'equal exchange' to which classical political economists and Marx firmly stuck. But, on the other hand, if the gains from trade are considered in the dimensions of use values, *i.e.*, more productive use of the 'factors' of production and multiplication of commodities without necessarily increasing total value, then what the gains from trade actually refer to is something like what Marx called 'the civilising effect' of capitalism, or 'the historical mission of the bourgeoisie' (CW35: 591). Just like other factors such as the division of labour that increase the productive power under capitalism, the existence of the gains from trade is the 'reality' of modern capitalist society which one should accept as given before embarking on a serious analysis of it and, therefore, has no analytical meaning in and of itself. In this respect, of course, the trade in 'the gains

from trade' does not have to be foreign; it is trade in general, and one can normally enjoy some gains (in use values) out of it.¹³⁷

This leads to the third problem. If the gains from trade are deemed to be so general, why did the classical and pre-classical commentators ascribe it only to 'foreign' trade? This concerns their characteristically national perspective. On the one hand, such a perspective reflects one of the basic conditions of modern life, *i.e.*, that most people live their lives within national boundaries. At the same time, however, capitalism is a global economy and, as such, has its historical uniqueness and character (see **Chapter 4**). The national perspective can hardly address the specific determinations at the level of the 'world'. For instance, Marx always stresses that credit and the competition between individual capitals can only be fully grasped at the level of the world market, which makes him stand out amongst other classical economists. Further, it easily proves that, unless one subscribes to this 'global' perspective, it is liable for one to understand even the most *elementary* categories such as production and exchange only in limited and perverse ways.

Last but not least, the national perspective of the political economists within the Ricardian framework tends to result in a confusion of the unit of analysis. At the very abstract levels of analysis, classical political economists including those commentators on IERs generally employ 'class' as the main analytical unit. This is why the mechanism of the capitalist economy from production to exchange and distribution actually takes place around the interplay between the main social classes of the capitalist, the labourer and the landowner. But, as soon as the political economists get to deal with IERs, 'nation' suddenly comes forth; now, the nation or the national economy present itself as the main, real economic subject. The problem here is that the critical *problématique* constructed based upon class is obscured and, further, what Marx called 'fantasies' of the bourgeois economy at the end of the Third

¹³⁷ This is the basic idea underlying Marx's account of the gains from trade: 'Let us take the process of circulation in a form under which it presents itself as a simple and direct exchange of commodities. . . . So far as regards use values, it is clear that both parties may gain some advantage. . . . With reference . . . to use value, there is good ground for saying that "exchange is a transaction by which both sides gain". It is otherwise with exchange value. "This act [Exchange of commodities—GHG] produces no increase of exchange value either for the one or the other"' (CW35: 167-8).

Volume of *Capital* becomes a *fait accompli* at this stage of theorisation. But how is one to connect the dimensions represented by different units of analysis organically and dialectically? Or, how to extend the theoretical field constructed around the concept of class so that it should contain the new area which appears to be dominated by national entities? This is the question to be answered in the next section.

6.1.3. Concluding Remarks: The Ricardian Framework in Marxist Political Economy

It is commonplace that the Ricardian framework, if defined as above, is not confined to mainstream economics. Many Marxist and quasi-Marxist approaches to IERs, devised in response to the classical and neoclassical theories, can be regarded to share the same framework. They also tend to reduce differing forms of IERs to a barter relation, largely retaining the national perspective, and aspire to show that the core/imperial economies in the world market can structurally expropriate economic surpluses from the peripheral/colonial ones as a result of capitalist foreign trade. Here, ‘gains from trade’ is simply replaced by ‘structural loss/inequality of trade’, and ‘mutual benefit’ by ‘benefit for the stronger, and loss for the weaker’.

Not all the Marxist theories of IERs are in the Ricardian framework. Take the ‘classical’ theories of imperialism put forward by V.I. Lenin and his contemporaries. Despite minor differences, they were not interested in whether foreign trade was beneficial to a particular country but, rather, tried to investigate the structural consequences that the brutally rapid development of the capitalist world economy — the economic, political and military rivalry amongst the advanced capitalist powers — would bring about. So, for example, the violence exercised by the capital of the imperialist countries on the colonial peoples was not their immediate theoretical concern. It is true that such an attitude did invite some criticism from the theorists on Orientalism and (post-)colonialism, but it at least retained Marx’s critical and structural *problématique* reasonably well.

It was after WWII that some Marxist political economists began positively to subscribe to the Ricardian framework, and even unconsciously. It was also when the

so-called ‘system of national states’ was consolidated as a result of the dissolution of the old colonial system. In the former colonial system, the international relationship between the imperial powers and their colonies was an object of political and military consideration, however fundamental the economic motivation might be. Consequently, from the economic point of view, it was inevitable that the inter-imperial, rather than the core-periphery, relation stood out. However, now that the institutional integument ensuring the colonial system had been lifted, if only formally, its economic ‘base’ immediately became more transparent. International relations *in general*, that is, not just the one between the former imperialist powers and their colonies but also amongst the powers themselves, were reduced to *quantitative* ones where virtually all the national economies could be ranked in order of the degree of capitalist development.¹³⁸ In sum, as what is called the ‘international system of national states’ in the international relations discipline took root, new Marxist-inspired theories of the world economy began to arise, including dependency theory, world-systems theory, theories of ‘unequal exchange’ (Brewer 1990, for a comprehensive overview). Opposing the ‘gains from trade’ thesis hailed by bourgeois economics, they focused upon the economic, not political, mechanism by which value was transferred from the less developed to the more developed country. However, whilst each of these approaches to the world economy did address specific aspects of contemporary capitalism, few were adequately embedded in Marx’s value theory, to say nothing of developing it. Indeed, being at best trapped in the rigid Ricardian framework, they were incapable of addressing the dynamics of capitalism fully.

In the following section, one way of extending Marx’s value theory onto the ‘world market’ level will be developed based upon his characteristically dialectical method with an eye kept open in order not to get trapped in the Ricardian framework. This is not going to be an *application* of value theory; it is an *extension*.

¹³⁸ Marx, following Hegel, employs exactly the same logic to explain that the qualitative difference between people from different statuses of the pre-modern times is reduced to a quantitative one in modern society. Thanks to this transformation, an individual can be compared with every other member of society by the same standard, labour (CW35: 54).

6.2. TOWARDS A VALUE THEORY OF THE WORLD MARKET

This section is the conclusion of this whole thesis. It offers one possible way of conceptualising the world market, which Marx left unfinished.

6.2.1. Critique: The Structure of Capital and Its Extension

No doubt, an ultimate aim of Marx's critique was to demolish existing political economy. But, to carry this out effectively, he needed to produce the 'real' political economy for himself. This is what he meant by 'critique', and it exactly coincided with the classical sense of the term (§ 5.1.1): 'at once an exposé and, through that exposé, a critique of the system [of bourgeois economy]' (CW40: 270). As a result, political economy would turn out to be shown to be superficial and deceptive. On the other hand, Marx built his theory by starting from the simplest categories and gradually introducing more complex ones. In this way, he tried to demonstrate that the fallacy of political economy was structural and multi-dimensional.

Though unfinished, Marx's three volume *magnum opus*, *Capital*, embodies the significance of his critique. In the first volume, the most fundamental structure of the capitalist economy is sketched with such concepts as value, money, capital, wage-labour, and production and, based upon it, capital accumulation and its main consequences are explained. Volume Two introduces the process of circulation which is put aside in the previous volume. Most abstractly, this is equivalent to recognising the temporal and spatial gaps between production and realisation of value, and between sale and purchase of commodities, which necessarily invite additional analytical dimensions, also making the theoretical field composed in the previous volume more complex. The third volume, by dealing with how competition amongst capitals is produced and reproduced and gives out a uniform average rate of profit over the whole economy, at last makes manifest how the fundamental law of the determination of value as (normalised) labour established Volume One is reconciled with the reality that seemingly negates that law. The latter half of the last volume is devoted to showing how the total profit acquired by productive capital is distributed

to other branches of (unproductive) capital and propertied classes, though still very abstractly.

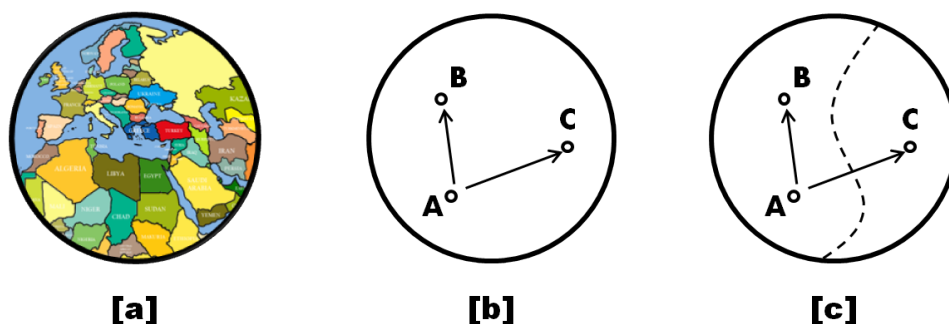
If Marx stopped here, his value theory would become a most plausible account of the capitalist economy. But he elaborately emphasises, at every single moment in his account, that the capitalists' profit is essentially the surplus labour taken from the labourers without paying anything in return. This is because political economy, especially the variant after 1830 which Marx labelled as 'vulgar', preaches that profit results from the capitalists' abstinence, their efforts at technological innovation, economies in the process of circulation — in other words, from capital itself. By doing so, political economy conceals the antagonistic character of the capitalist system, championing it as the most suitable for the human race. It is also the case with the incomes which varied propertied classes acquire. While the political economists contend their incomes are the outcome of participating in, and contributing to, the production of profits, they are for Marx nothing but distributed parts from the total surplus value. In the end, Marx criticises that political economy is but a fairy tale which ideologically justifies the economic fantasies, not least those concerning the origin of profits, arising from everyday consciousness under capitalism. Thanks to this aspect, Marx's theory becomes a 'critique', not just an 'explanation', of the capitalist economy.

Table 6.1 summarises the main analytical points on which Marx focuses in each volume of *Capital*, together with the economic fantasies held by 'bourgeois' political economy, but negated by Marx's analyses. If the process in *Capital* points to a gradual complexification, what we are going to do with the introduction of the new category of the world market is to fill out the blanks in the last row. For this, we have to relax the 'one-national-economy' assumption. From the outset, this is a *tentative* assumption for the convenience of analysis. In **Figure 6.1**, the real world (a) is regarded as a homogeneous space (b) under 'one-national-economy' assumption; there is no qualitative difference between the relationship between A and B, and A and C in (b). Both of them are just 'relations'. This is the world assumed in *Capital*. But once that assumption is lifted away, and the existence of national borders between A and C is recognised, the relationship between A and B turns out to be 'international' (c), which presents qualitatively new analytical challenges. At the

same time, the relationship between A and B is now identified, more concretely, as ‘domestic’ in contradistinction to the A-C relationship.

	<u>Analytical</u>	<u>Critical: Fantasies on the origin of profit</u>
Vol. I	<ul style="list-style-type: none"> -Wage labour/capital relation -Production and accumulation of capital 	<ul style="list-style-type: none"> -Abstinence of the capitalist -Effort at technological innovation of the capitalist -Past wealth of the capitalist
Vol. II	<ul style="list-style-type: none"> -Circulation of capital -Reproduction of total social capital 	<ul style="list-style-type: none"> -Various economies in circulation -Shortening of circulation time
Vol. III	<ul style="list-style-type: none"> -Competition b/w capitals leading to the formation of average rate of profit -Distribution amongst the social classes 	<ul style="list-style-type: none"> -Profit proportional to the mass of capital invested -Revenue as reward for the participation in production
	?	?

[Table 6.1] A Characterisation of *Capital*: Analysis and Critique



[Figure 6.1] Abstraction and Complexification

Now, there is in front of us not an abstracted one national economy but a collection of geographically divided national entities with differing racial, historical, cultural and social backgrounds. However, it is simply not possible to present in the theory the

whole of national differences. Since each of them has its own qualitatively specific power of determination, economic or non-economic, we can only consider them selectively, and in order. This is why we in the present thesis regard the differences amongst the national entities in the world as *a matter of differing degrees of capitalist development*. We can even rank them in that order. Of course, such consciousness presupposes that an equal relationship, if formally, should be in place amongst the national economies, a historical condition only achieved after World War II (§ 6.1.3).

What changes are brought about? More than anything else, in the new framework of multiple national economies, it turns out that the social variables that Marx assumes are *uniform* in a given society at a given time are potentially *plural* in the world economy. There are many such variables: the socially necessary labour time in producing a commodity, normal intensity of labour, normal length of the working day, normal rate of surplus value, real average wage, and the average rate of profit, to name a few. In sum, we are now about to make it manifest in our theory that the world economy is *fragmented* and *uneven*, like capitalist development itself abstracting from the world economy as mode of production.

As a result, the task at hand is to expand value theory over the fragmented and uneven world, and to identify and develop new critical points on that dimension. Of course, it has to be performed in the same spirit of *Capital*. In the following two sub-sections, the outcomes of the introduction of the new category, the world market, are to be expounded in two ways corresponding to the dual character of Marx's concept of 'critique': the positive analysis and the negative negation. It is hoped we would have a theory of IERs as an *extension*, not an *application*, of value theory at the end.

6.2.2. The Positive/Analytical Dimension of Critical Extension

(a) As an analytical exposition, Marx's value theory is essentially about the (re-) production of capital, which is briefly summarised in the following 'general formula of capital':

$$M \text{ — } C(MP, LP) \dots P \dots C' \text{ — } M' (=M+m).$$

Capital begins its life when the capitalist invests an amount of money (M) to buy the means of production (MP) and the labour power (LP) from their respective markets. He then organises the process of production, and it is here that valorisation takes place (P). Once the product containing more value than the capitalist expended (C') is sold at its value, he gets back his initial capital together with an amount of profit (m).

In *Capital*, the above process is investigated under the 'one-national-economy' assumption. So the task is to demonstrate how the analysis in *Capital* is further developed when the process takes place over two or more national societies. Here, of course, national boundaries can be drawn at every node. The final product can be sold abroad; means of production or labour power may be provided from foreign countries; a factory itself may be built in a foreign country with people from differing national backgrounds employed; and it is also possible to make international loans to earn interest. In the tradition of Marxist political economy since Lenin, such international movement of capital has been viewed in terms of the movement of commodity capital, productive capital, and money capital, following Marx's way of investigation of the circuit of capital in the second volume of *Capital* (Fine and Harris 1979: 147-8). We will start from this point.

(b) There is, however, a very important question to be dealt with before proceeding. Since we now have to compare commodities from different national societies with one another, we need to establish a standard for comparison beforehand. The question is: how should we compare national labours as the substance of value? The most fundamental principles are laid out by Marx in the first chapter of his *Capital*, of course, under the 'one-national-economy assumption'. According to this, the value of a commodity is determined by the socially necessary labour time (SNLT) expended to make it. But since the length of the time spent by different labourers making the same kind of commodity would be varying, it is impossible to determine the SNLT for a commodity unless the conditions in which labour is performed are specified. Thus: 'Socially necessary labour time is the labour time required to produce any use value under the normal conditions of production in a given society and with the average degree of skill and intensity of labour prevalent in that society' (CW35: 49. Translation modified). Once the labours within the *same* sector of production are

normalised and equalised, we would have a collection of within-sector average labours, which again should be equalised *across* sectors. Marx's conceptual tool which captures the difference of the labours across sectors is the degree of complexity:

More complex labour counts only as intensified, or rather multiplied simple labour, so that a smaller quantity of complex labour is considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the product of the most complex labour, but its value, by equating it to the product of simple labour, represents a definite quantity of simple labour. The different proportions in which different sorts of labour are reduced to simple labour as their unit of measurement, are established by a social process that goes on behind the backs of the producers, and, consequently, appear to be fixed by custom. (CW35: 54. Translation modified.)

This two-step reduction enables us to count each individual labour regardless of its sector as a multiplication of 'simple average [abstract] labour' (*ibid.*) and, based upon its length, to determine quantitatively the value of a commodity in which the labour is embodied.¹³⁹

Again, it has to be noted that such amount of value presupposes 'the normal conditions of production in a given society,' which include: 'the workers' average degree of skill, the level of development of science and its technological application, the social organisation of the process of production, the extent and effectiveness of the means of production, and natural conditions' (CW35: 50. Translation modified). These are the main elements which make up the concept of *labour productivity*. Productivity in itself does not affect value. For instance, if a capitalist has the productivity of labour doubled by improving his machine, he would produce twice the amount of use values as long as the amount of labour activated — measured in simple average labour, of course — and the labourers' level of effort remain the same as before; consequently, the (exchange) value of a commodity thus produced is reduced by half.

Similar to productivity, the intensity of labour also needs to be considered. The same capitalist may double the speed of his machine. Then, it is regarded that the

¹³⁹ For a comprehensive discussion on the equalisation of labour, see Saad-Filho (2002), Ch. 5.

expenditure of labour over the same span of time is also doubled, or that the intensity of labour is doubled. This means that twice the amount of value is produced; if twice as many use values are accordingly produced, then the unit value of the commodities, unlike in the case of the enhancement of productivity, remain constant.

Conceptually, the productivity of labour and its intensity are clearly distinguishable. But, in reality, the borderline between them is far from distinct. Indeed, it is a common practice that a capitalist when introducing a new, more efficient machine in the production also boosts up the speed of its operation (cf. CW35: 412-20). Nevertheless, why is it still possible to distinguish the two from each other? Assume that an average labourer shows better performance than before. In a community where its members share the same material, cultural and institutional circumstances, one can discern without much difficulty whether it is a result of the enhancement of working conditions, or simply because the labourer works harder. One can make this judgment based upon the sense of the social norms about working conditions and the level of effort. In other words, while labour productivity and labour intensity are essentially applicable to an individual field of production, each of them forms a *social average* over all fields of production through the social mechanism of the competition between capitalists and between labourers, the class struggle between capital and labour, the social degree of the application of scientific and technological knowledge to production, *etc.*¹⁴⁰ These averages, through competition, *etc.*, act upon individual capitals as the *social coercion* by which to achieve them.

However, in the world market which is *fragmented* and *uneven*, there are no material, socio-cultural and institutional backgrounds shared by all the nations that eventually form the ‘social averages’. Of course, it is always possible to calculate the ‘world average’ out of national averages (for productivity and intensity of labour); it is however only nominal and, as such, cannot regulate the behaviour of individual national economies. Therefore, in the world market, each of the national average

¹⁴⁰ ‘It is clear that this direct dependence of the operations, and therefore of the labourers, on each other, compels each one of them to spend on his work no more than the necessary time, and thus a continuity, uniformity, regularity, order, and even intensity of labour, of quite a different kind, is begotten than is to be found in an independent handicraft or even in simple co-operation’ (CW35: 350).

values for the productivity and intensity of labour just maintains itself, and the different values for different nations form a hierarchy. For example:

In every country there is a certain average intensity of labour . . . The average intensity of labour changes from country to country; here it is greater, there less. These national averages form a scale, whose unit of measure is the average unit of universal labour. The more intense national labour, therefore, as compared with the less intense, produces in the same time more value, which expresses itself in more money. (CW35: 558, 559)

Secondly, what is interesting in the world market is that, here, the difference between productivity and intensity is diluted. For, again, there are no socially shared standards by which people with different national backgrounds can tell productivity and intensity from each other in the world market. In this situation, the amount of (exchange) value can only be measured by the amount of the commodities produced, *not* by the amount of labour! Marx does make a very suggestive comment when he deals with piece-wages: ‘Piece wages do not, in fact, distinctly express any relation of value. It is not, therefore, a question of measuring the value of the piece by the working time incorporated in it, but on the contrary of measuring the working time the labourer has expended, by the number of pieces he has produced’ (CW35: 551-2). Commodities, when they are viewed with the world market in perspective, turn out to violate the very basic value determinations forged in the opening part of *Capital* based upon their social relations previously constructed on a hypothetically national level. Also, Marx makes it clear that piece wages ‘can only be a measure both of the productivity and intensity of labour’ (CW35: 558). If the ‘number of pieces’ becomes the standard for measuring value, the productivity of labour is no longer distinguished from the intensity of labour.¹⁴¹ Hence:

But the law of value in its international application is yet more modified by this, that on the world market the more productive national labour reckons also as the more intense . . . (CW35: 559)

¹⁴¹ Marx makes a similar judgment in another context: ‘The exceptionally productive labour operates as intensified labour; it creates in equal periods of time greater values than average social labour of the same kind’ (CW35: 323). In the end, ‘exceptionally’ means ‘beyond the shared social norms’.

In brief, labour productivity becomes functionally identical with labour intensity; indeed, virtually all the national differences that make each national average labour produce different amounts of a commodity in a given length of time are reduced to the difference in the intensity of labour. But, interestingly, these circumstances are generally called to form ‘national productivity’ (of labour) — not ‘national intensity’, and we take this expression since it appears more general. Ultimately, then, we have a *hierarchical system of the national productivities of labour* in the world market.

To be noted lastly is that, in this hierarchy, the more ‘productive’ labour, as compared with the less, produces in the same time more value, which expresses itself in more gold, world money. In this sense, the hierarchical system of the national productivity would present itself as the *international system of exchange rates*.¹⁴² But they are not one and the same. For exchange rates in reality reflect a myriad of other circumstances. We simply abstract from those other factors, and assume in this thesis that exchange rates exactly reflect the differences in national productivity. Therefore, we get the following equations:

$$[a \text{ hours of labour of country A}] = [b \text{ hours of labour of country B}],$$

and

$$[\alpha \text{ units of currency of country A}] = [\beta \text{ units of currency of country B}].$$

In the world market where the movement of the social variable to form a single gravitational average is not working, it is possible that a commodity containing one hour of labour of country A has the same value with a commodity embodying four hours of labour of country B, for instance. Note that this is *not* the violation of the law of value; it is *modification* as Marx suggests in the previous excerpts. The modified law of value captures the various national differences in the world market which are summed up in their respective national productivity, and every national economy is

¹⁴² ‘In proportion as capitalist production is developed in a country, in the same proportion do the national intensity and productivity of labour there rise above the international level. The different quantities of commodities of the same kind, produced in different countries in the same working time, have, therefore, unequal international values, which are expressed in different prices, *i.e.*, in sums of money varying according to international values’ (CW35: 559).

given a coefficient that would translate its national labour in the form in which it is possible to quantitatively compare it immediately with one another. Then, there is a hierarchy of the value producing power of labour in the world market; the more 'productive' a national labour is regarded, the higher place it will take up. This is why virtually all the national governments are so much obsessed with the slogan 'let's enhance our national productivity', especially in times of globalisation.

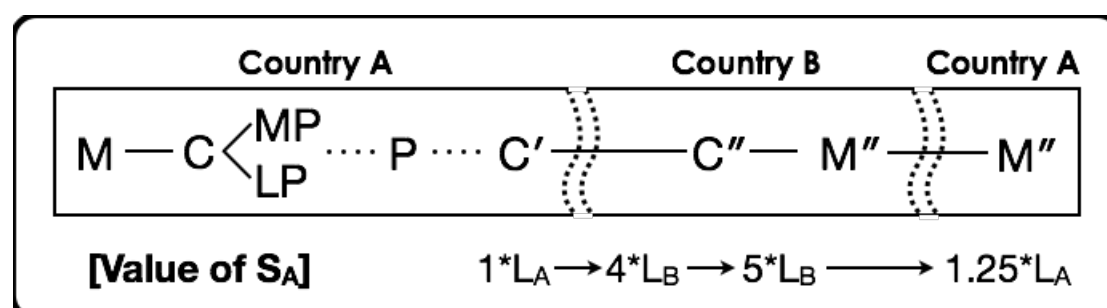
(c) With this modified law of value, let us observe the international movement of capital. Interestingly, it is possible to get some important intuitions for the international movement of commodity, productive and money capital from each volume of *Capital*, respectively if not sequentially. Firstly, for the case of *commodity capital*, we can refer to the second volume where the existence of the temporal and spatial gaps between production and realisation of value, and between sale and purchase of commodities. Then, what would happen if those gaps lie across national borders? This is what is called international trade, the international movement of commodity capital. Although it is nothing unusual in capitalism for capital to move internationally, it was abstracted from by Marx, for analytical purposes, under the simplifying 'one-national-economy' assumption.

Let us take an example. Assume, as above, that one hour of labour in country A is equivalent to four hours of labour in country B in the world market. But this ratio only reflects the overall difference in national productivity on average, and may not be maintained in every sector of production. So, for the production of a pair of shoes of the same kind, it is possible that one hour of labour is required in country A whereas five hours in country B. Now, if the shoes produced in A were exported to B, what would happen?

This is normally dealt with under the heading of 'international trade' within the Ricardian framework as we defined it earlier. In this framework, a pair of shoes produced in A is directly exchanged with another kind of product from B. Here, the overall difference in national productivity is not considered; only the partial difference between the two sectors of production concerned matters. Especially for Mill, since value is the ratio by which a commodity is exchanged with another, the

formation of exchange itself always guarantees that it is 'equal'. So, the only point that matters is whether such an exchange is beneficial to both the parties. If it is not, the trade will not be carried out. This is still the case with standard contemporary international economics.

However, the *real* international commodity trade is *not* barter, even though it appears so at the *aggregate* level, say, in the national account. In reality, there only is the export/import of particular commodities. The normal situation is that the shoes of A (S_A) compete with the shoes produced in B (S_B) in the domestic shoe market of B.¹⁴³ The point is this: first, under the assumptions established above, it is legitimate to judge that the value of S_A is four hours of the simple average labour of B; in spite of that, second, there is no problem in regarding it as objectifying five hours in the shoe market of B, for the socially necessary labour time in country B for a pair of shoes is five hours, and for the value of an alien commodity in a certain national market is evaluated by the value of the commodity that reflects the normal condition of production prevalent in the society concerned.



[Figure 6.2] The international movement of commodity capital

This is illustrated in **Figure 6.2**. Assume for simplicity that labour time = value = price within a national economy. Then, we can write the values of S_A and S_B are $1 \cdot L_A$ and $5 \cdot L_B$, respectively. The exchange rate between the two countries is determined to be $(4 \cdot L_B / 1 \cdot L_A)$ reflecting the productivity difference. According to this ratio, the value of S_A has to be modified to be $4 \cdot L_B$ in country B, but in the shoe market of B

¹⁴³ No consideration for the shoes produced in other countries, for simplicity.

the modification goes even further: S_A is now regarded as of the value of $5 \cdot L_B$. Therefore, once it is sold, the exporter gets the amount of money of $5 \cdot L_B$ in the currency of B, which is equivalent to $1.25 \cdot L_A$ in A's currency (transaction costs ignored). In the end, the shoe manufacturer of A can sell her commodity at the price 25% higher than its normal domestic price through international trade, which is *why* she embarks on selling her commodities abroad. If the normal rate of profit for S_A were 25%, that is, if the value (=price) of S_A were composed of $0.80 \cdot L_A$ as cost and $0.20 \cdot L_A$ as (normal) profit, then the total profit after international trade should be $0.45 \cdot L_A$, resulting in the individual rate of profit, $(0.45 \cdot L_A / 0.80 \cdot L_A) = 56.25\%$.

Such a high rate of profit will attract more capital from other sectors in country A to the shoe manufacture for export. Harsher competition amongst the capitals from A will lower the price for S_A in the market in B; if it reaches as low as $4 \cdot L_B$, the additional profit from foreign trade will disappear, and there is no reason for trading in a foreign market. On the other hand, the introduction of the specialised capitalists in commodity dealings, whether they come from A or B, will not significantly change the situation; it only modifies the distribution of the total additional profit ($0.25 \cdot L_A$ per unit, in the above example). What matters is that, in whatever form international trade is carried out, real competition takes place amongst the capitals from both the country in a *particular* branch of production. The *sectoral* productivity gap between the two countries does not have to be equal to the *national* productivity gap.

(d) Next, the international movement of *productive capital* can be investigated by reference to the third volume of *Capital*. The main discussion here is focused upon how competition amongst sectoral (average) capitals produces an average rate of profit over the whole economy; thereby, each capital, seen at the surface of the economy, appears to end up with a profit proportional to its total size, not to the amount of living labour it employs. Obviously, this appears to be a violation of the fundamental law of the determination of value according to labour time, but what Marx does is to lay bare the contradictory *modus operandi* of the law of value by systematically connecting link by link between the fundamental law and its appearance on the surface of the economy.

It goes without saying that such a mechanism will be even more complicated when the fact that those capitals in competition have a variety of different nationalities in reality. But this is not simply a quantitative matter. Assume there are two national economies in different phases of capitalist development. Which one would capital prefer? Where of the two countries would the rate of profit higher? In general, since the composition of capital will be higher in the advanced country but, at the same time, the higher labour productivity of the advanced country will necessarily mean the higher rate of surplus value, it is not possible to determine theoretically which national rate of profit will be higher (CW37: 212-4). If so, what about moving the productive facilities from the more to the less developed country? The high productivity of the more developed country, whatever its sources (cf. CW35: 334-35), will be materialised in the form of advanced machinery and other facilities, and the effective organisation of labour. If a capital can export these to a developing country, and can combine them with cheaper labour power there, then it might realise a profit rate which otherwise could not even be dreamt of. In *Capital*, this possibility is almost completely ignored because its analytical field is located at a more general and simple level.

Table 6.2 is a simple numerical example for this. Assume that there are only two countries in the world market in different phases of capitalist development, and take a field of production which is relatively more internationalised. Capitals X and Y are those reflecting the normalities, both nationally and sectorally, of the more advanced (A) and less advanced (B) country, respectively. It would be reasonable to suppose that X should use more machinery and less labour than Y, and that the normal working day be shorter but the rate of surplus value be higher in country A. Also assume that the world price of production in the sector is determined according to the price of production of X. If the productivity of labour of A is three times higher than that of B and, for convenience' sake, prices in the world market are quoted in B's currency, then all the values and prices coming from A should be tripled in the world market. We have the following equations:

$$1 * w_A = 1 \text{ hour of simple average labour of country A,}$$

$$1 * w_B = 1 \text{ hour of simple average labour of country B,}$$

and

$$1 \cdot w_A = 3 \cdot w_B = 3 \cdot w$$

(w_A , w_B and w are the units of value and price in country A, country B and the world market, respectively).

Capital (Country of origin)	Constant capital (Machine+Material)	Variable capital	Surplus value	Commodities produced					
				Total value	Number of units	Unit value	Market price	Total revenue	Rate of profit
	(a)	(b)	(c)	(d)=(a)+(b)+ (c)	(e)	(f)=(d)/(e)	(g)	(h)=(e)×(g)	(i)={ (h)−(a)−(b) }/ { (a)+(b) }
X (Advanced country A)	100 (80+20)	45 120=(5 labourers)× (8 hours)×3	75	220	20	11	11	220	75/145 =51.7%
		➔							
Y (Latecomer country B)	60 (40+20)	60 120=(10 labourers)× (12 hours)×1	60	180	20	9	11	220	100/120 =83.3%
		➔							
X'	120 (90+30)	30 60=(5 labourers)× (12 hours)×1	30	180	30	6	11	330	180/150 =120%

(Note) All the value and monetary amounts are in *w*.

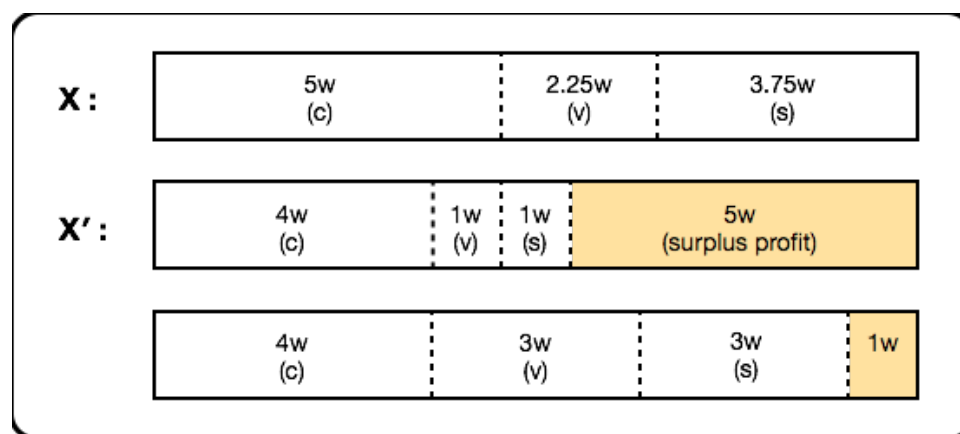
[Table 6.2] The international movement of productive capital: an example

Now, compare the two rows starting with X and Y in **Table 6.2**, respectively. Capitals X and Y produce 20 units of the same commodity for a working day using the same amount of raw material worth $20w$, but they use different quantities of both machinery and labour. First, X employs a unit of machinery worth $80w$, and 5 labourers working 8 hours a day. They add new value of $40w_A$ to the total product, which, with a labourer's daily wage being socially set to be $3w_A$, is divided into total wages of $15w_A$ and surplus value of $25w_A$. Converting these monetary amounts into the world market unit, we get $45w$ and $75w$, respectively, and the rate of surplus value is 166.7%. In the end, 20 units of product worth $220w$ are produced. Since we assume the unit value of this commodity becomes the world price of production of this commodity, capital X ends up with a total profit of $220w$, and the corresponding rate of profit is $\{220 - (100+45)\} / (100+45) = 51.7\%$.

On the other hand, capital Y employs a less productive machine worth only half the value of what X uses, and twice many labourers. Since twelve hour day is the social norm in country B, and this is to be evenly divided up into variable capital and surplus value (*i.e.*, the rate of surplus value is 100%), the total daily value added ($=120w_B = 120w$) is split into total wages of $60w$ and surplus value of $60w$. Thus 20 units of the final product worth $180w$ are produced. While their individual value is $9w$, the market price in the world market is set $11w$, enabling capital Y to get surplus profit of $2w$ per unit sold. At the end of the day, Y gets $220w$ with a profit rate of $\{220 - (60+60)\} / (60+60) = 83.3\%$.

Now suppose that the average capital in the same sector of country A builds a factory in country B, and call it X'. To maintain the original technical composition of capital, X' employs five workers to run the same machine used in its home country. But since they work for 12 hours instead of 8, they will consume 1.5 times more raw material, which also requires more wear and tear of the machine. As a result, the value of the total constant capital consumed will be $90+30=120w$, and the value of the total 30 units of product $180w$. Whilst the individual unit value of this commodity is reduced to $6w$, its world market price is still $11w$; the total revenue of X' is $330w$, and its rate of profit is $\{330 - (120+30)\} / (120+30) = 120\%$!

In conclusion, by internationalising the process of production itself, capital X' can enjoy a tremendously high rate of profit. Let us compare X and X' in **Table 6.2** to understand this situation. It is certain that the huge amount of profit originates from the capability of the internationalising capital to lower the individual value of the internationally produced commodity *vis-à-vis* its world market value, by exploiting the difference in the social conditions — the value of labour power, the length of the working day, the rate of surplus value, etc. — between the nations concerned. This is amongst the *normal* ways in which capital gets profit, but is definitely not considered by Marx. How, then, is the extra profit characterised? It appears to be the extra surplus value or its equivalent form taken in the sphere of exchange, but is clearly different from it in that the enhanced productivity does not come from capital's effort to improve the productive facilities. Or, as far as the lengthening of the working day (from 8 to 12 hours) is concerned, it looks like the production of 'absolute' surplus value, but this is acquired at the huge expense of the rate of surplus value which is lowered from 166.7% to 100%. But the total sum of the extra profit for X' is much larger than the absolute surplus value generated.



[Figure 6.3] The decomposition of the individual commodity value

Obviously the huge extra profit comes from nowhere but the cheaper labour cost available in a latecomer country. **Figure 6.3** shows how the individual value of the commodities produced by X and X' , respectively, is decomposed. It is clear from it

that, if the overall prices in country B are tripled to be equal to those of country A, the extra profit will almost disappear. Note that the extra profit does *not completely* disappear since there still remains some advantage occasioned by the 'economies to scale', that is, longer use of labour for a day in country B.

It is proposed that the concept of ground rent, especially what Marx termed differential rent of the first type (DRI) can be helpful in explaining that extra profit. Traditionally, both labour and land have been recognised as the creators of wealth, as Marx once said: 'As William Petty puts it, labour is its father and the earth its mother' (CW35: 53. Also see CW24: 81). Of course, what he meant by wealth is use value, not exchange value. As for the latter, only human labour is established as the substance of value, and its measure under the capitalist mode of production. This does not mean that nature plays no role; it, generally speaking, acts as an element which makes up labour productivity. That capitalist who succeeds in lowering the individual value of his commodity *vis-à-vis* its social value by utilizing the mixture of the variety of circumstances around the labour process — technology, natural conditions, knowledge, and the social character of labour — can temporarily enjoy extra surplus value until his competitors can achieve the same degree of productivity. Generally, then, the fertility of land should be one such element of productivity, especially in agriculture. But, historically, varying forms of landed property have long been in place and, thanks to this, the landowner has the power to appropriate the contribution thought to have been made by his land to the productivity of the agricultural business performed on his land. That is, he takes as rent the part of the value of the agricultural product which exceeds the price of production (= cost price + average profit) established in the other fields of production as a result of competition. Especially, DRI represents the way for the landowner to appropriate the part of productivity increase which originates from the superior fertility of his land compared to the worst land used. The more fertile a land is, the lower the individual value of the corn produced from there would become, and the larger the difference between its individual value and the social value would result.

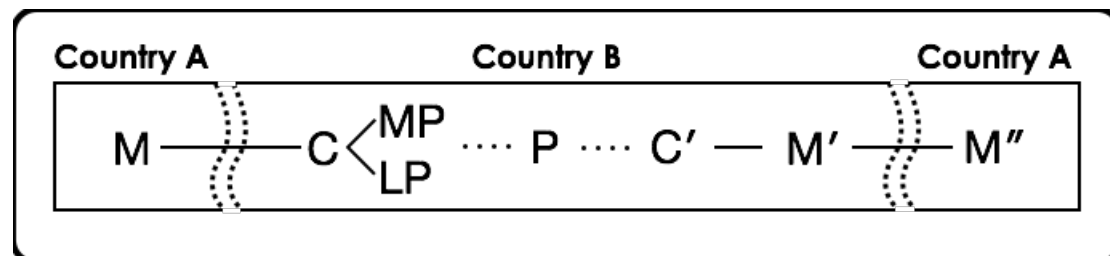
Interestingly, to the *productive* capital which moves internationally over the world market, labour appears as if it were a *natural* power of creating value in general. The significance of the social determinations which distinguish labour from nature as

creators of wealth become feeble in the world market. The employment of labour in a national society generally entails a set of social conventions for capital to comply with, but capital can bypass them in the world market. It is just like there in the world market is a lack of the social foundations needed to distinguish the productivity of labour and its intensity. Firstly, as mentioned earlier, in the sphere of production which is well internationalised over the world market, labour — but of which country? — cannot act as the measure of (world) value but, instead, once the world market price for a given commodity is formed through whatever process, the productivity of labour of a nation is evaluated back according to the amount of the commodity produced by that labour (the transformation of productivity into intensity).¹⁴⁴ In the end, the problem for a capital considering the internationalisation of its productive facilities is the (more or less limited) choice of the destination amongst the national labours with such differing productivities and, here, productivity should be inversely proportional to the labour cost, given any other factors which determine productivity remain unaffected by this choice.

In other words, that capital makes a choice amongst the national labours with differing productive capacities — equivalent to differing wage levels — just as the industrial farmer does amongst the lands with differing degrees of fertility. However, in the latter case, the existence of landed property is of prime importance. As Ben Fine emphatically argued, ‘differential rents exist, not because surplus profits exist, but because these are appropriated by the landlord rather than by the capitalist’ (Fine 1986: 123. See also Fine and Saad-Filho 2004: 153-65). Given this, we can say at least that the surplus profit originating from the utilisation of more ‘fertile’ labour in the world market simply *assumes* the form of differential rent. But, more positively, in the case of the international movement of productive capital, the state of the host country can and does act as the landowner. For it can appropriate the value differential by setting a special minimum wage for foreign capitals to be a lot higher than normal in its country. We just assumed in **Table 6.2** that the internationalising capital, X’, gets all the rent. In the end, reality should lie somewhere between the two extremes. Lastly, the normal wage may rise and the working day may shorten as a

¹⁴⁴ In this sense, we may even say that labour submerges as one element of productivity in the world market.

result of both the intensification of international competition over the labour market of country B, and the labour movement there. Then, the incentive for a foreign capital (X') to build productive bases in B will become weaker.

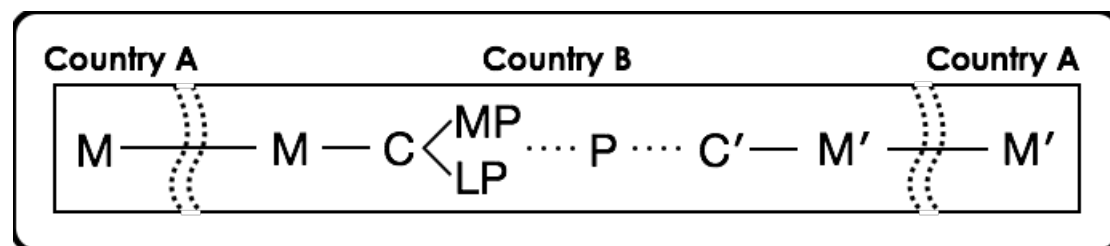


[Figure 6.4] The international movement of productive capital

(e) Lastly, let us turn our attention to the international movement of *money capital*, that is, international loans. This is the simplest to deal with of the three forms of internationalisation of capital. Since money is the general form of value, its international movement is in itself a movement of value in abstract. The national currency as the form of national value can be converted through the table of international exchange rates into any other currency, or into world money (CW28: 96-8).

As far as such conversion is concerned, any extra benefit could be expected from international lending. In this sense, the crucial reason for any international movement of money is the existence of the difference in interest rates amongst nations. Theoretically, though, any international difference in interest rates should disappear as the movement of money capital gets bigger and more frequent, and be offset by the exchange rates (cf. interest parity theorem). Even Marx, whilst recognising the role played by nationally peculiar factors in determining interest rates in a given society, approves the possibility of the equalisation of interest rates in the world market (CW37: Ch. 22). However, reality is still far from such a homogenous world. The more people and companies get access to credit instruments as capitalism develops, the more diversified interest rates become even within a given national society corresponding to the variety of properties of those who need money; indeed, credit

rating agencies are amongst the most powerful and promising business entities in the contemporary economy! In the world market, national differences amongst national interest rates persist reflecting the specificities of national societies and, more generally, there are opposite forces of convergence and divergence in interest rates in the capitalist development, especially at the level of the world market. As a result, in times of zero interest rate in the advanced economies these days, the base rates in many developing countries are still near or even above 10%.



[Figure 6.5] The international movement of money capital

(f) So far an attempt has been made to incorporate the varying forms of the international movement of capital in the framework of value theory by developing Marx's formula for the circuit of capital. A most fundamental aspect of the Marxist critique of the Ricardian framework concerns the role of the world market in forming the concept of value. We touched upon this issue by emphasising the significance of the world market as 'presupposition' (see § 4.2.3). Capitalism is, in essence, a system of producing the commodity by mobilising the means of production and labour power on a world scale, and for satisfying demand from around the world. In other words, the formation of the world market was necessary in establishing labour time as value.

The value of a commodity has been determined by the forces of world capitalism from its origins. So was the value of the linen as considered by Marx in the first chapter of *Capital*. Although Marx intentionally ignored the function of these forces in the production of the linen, their presence could not be eliminated completely. Generally speaking, it is impossible to tell to what extent an introduction of a new machine is a result of world competition rather than domestic competition and, so, it is absurd to try to do so in abstract. Bearing this in mind, however, we have been

interested in the more evident and more identifiable aspects of the global forces in this section. The more complex determinations of value developed here make the concept of value more concrete.

So far, emphasis has been laid upon the enduring difference between ‘national’ values. But there is also a tendency for convergence: as international competition between capitals unfolds, the productivity differentials in individual fields of production converge towards the national differential and, as a result, the national differential itself gets smaller. Also, that differential necessarily reduces when individual capitals seek to realise bigger extra profits by continually changing their trade partners, and the international movement of means of production and labour power becomes more frequent and active. Then, the productive powers of different national labours, together with the conditions for production, will become more equal. However, this process can never be completed and will be interrupted by counter-tendencies, as in a national or other geographical context, not least in the absence of the institutional bodies such as the ‘world’ state that guarantee and enforce the equalisation movement on a world scale on a par within national boundaries. At the more concrete levels, further, there is the possibility for capital’s strategic behaviour to maintain the existing differences.¹⁴⁵

6.2.3. The Negative Dimension of Critical Extension

(a) What makes *Capital* outstanding is that, based upon the insight that the capitalist economic mechanism itself engenders the inconsistencies of the essence and the appearance of the economy, it seeks to explain these inconsistencies systematically. Those theories which cannot even raise this question only produce misleading conceptions about the sources of profit (see **Table 6.1**). Therefore, the main task for Marx is to demonstrate how the exploitative essence of capitalism in the sphere of the immediate process of production disguises itself at other more superficial levels. In

¹⁴⁵ This cannot be pursued any further here. See, instead, Heide (1993) and Picciotto (1991), for instance.

extending this theory, it is of crucial importance to maintain such a critical perspective.

From the simple analysis laid out in the last subsection, we could see that, as soon as the international dimension of capital movement is taken into consideration, the real source of profit becomes *more* obscured, and the appearance of capital's circuits *more* distanced from its exploitative foundation. Firstly, think about the 'modification' proposition of the law of value in the world market which is the starting point of our previous discussion. What this proposition points to is not simply that value experiences a quantitative modification in the world market; the essential determination of value *itself* is changed. In a sense, this is a process in which value is stripped of its social character. In the world market it is impossible to relate different labour times with each other directly, for there is no such social ground that enables it as within a national society. It is all the more so when there are many, instead of two as in our example, countries. In the world market, it is not that the total value is determined by the amount of labour expended; conversely, labour's capacity of creating value is evaluated by the quantity of the commodities produced. Now, the national labour which produces more use values within a given duration of time is regarded as producing more (exchange) value. Higher '*national productivity*' appears to be the more powerful value creating capacity. Productivity *appears* to be the source of value! In this sense, it is not ungrounded that the capitalist governments are obsessed with the necessity of enhancing national productivity, but it does not mean such an *appearance* has to be accepted.

'Bourgeois' political economists tend to count the deceptive appearance in the world market as an excuse for rejecting the law of value. For Mill the son, especially, it was the main ground upon which he discarded the labour theory of value which Ricardo had established but failed to clarify enough, and accepted the 'utility' theory of value. Consequently, central roles in economic theory were given to use value, instead of value, and utility from its consumption. On the other hand, once the conception that value is created out of '(national) productivity', then all the factors which make up national productivity, not just techniques of production and labour organisation but also population, climate, geopolitics, etc., are hailed as the ultimate sources of value.

(b) The *fetishisation* of national productivity, and also of the sources of value and profit, advances and reinforces itself through a variety of modalities of the international movement of capital. However, economic theories on IERs have largely failed to take issue with it. More than anything else, it should be noted that while the existing IERs theories — especially those from the Marxist tradition — have had the tendency to view IERs at the level of national averages.¹⁴⁶ However, the real agent that establishes IERs is the individual capital involved in the production of a particular commodity. The level of national averages is a suitable level of abstraction to deal with the overall *quantitative* modification of the national value system in the world market, as suggested by the ‘modification’ proposition; however, as we ascertained from the investigation of the international movement of commodity (capital), a sort of *qualitative* distortion of value beyond the *quantitative* modification does also take place in the world market. The modification of value, which the ‘modification’ proposition signifies, is in a sense nothing special, for similar modification or conversion is also being made incessantly within a given national society, which is what Saad-Filho (2002) calls the ‘equalisation’ of value.¹⁴⁷ The most important difference is this: in a national economy the social averages, or the social constants, are *substantially* formed and determined all the way from the deepest root of economic processes — the most intimate interaction between capitals and between capital and labour. And, as such, those averages regulate the behaviour of the individual capitals and labourers. On the other hand, in the world market, the averages are only nominally calculated and, so, do not entail a tendency to sublate the national differences within the world market. Therefore, even if the national value systems are made commensurable at the aggregate level through ‘modification’, individual sectors of production may remain highly incommensurable, which manifest itself when a commodity is exported from one country to another.

¹⁴⁶ Those discussions took place in the late-1960s and the mid-1970s under the heading of ‘unequal exchange’: Samir Amin, Arghiri Emmanuel, Ernest Mandel and Christian Palloix, to name a few.

¹⁴⁷ ‘The different proportions in which different sorts of labour are reduced to simple labour as their unit of measurement, are established by a social process that goes on behind the backs of the producers, and, consequently, appear to be fixed by custom’ (CW35: 54).

Put differently, the ratio between the productivity of two national average labours is not necessarily applied to every single sector of production. The sort of labour that is regarded as simpler than average labour in one country can be taken as more complex than average in the other. To generalise, every country has its own characteristic system of relative prices. This reflects the historical and social specificities of a nation, which should be introduced and explained one by one as the theory proceeds towards more concrete areas. To a superficial eye, however, any profit acquired by an internationalising capital that exploits this difference in the national price systems will appear to be originating from that very capacity of capital.

Secondly, in the international movement of productive capital, it was shown that the combination of capital and labour with different social backgrounds eliminates 'sociality' from the relationship they establish. This is not just a theoretical but also a real process. The social bondages inflicted upon social capital include, apart from the pressure of competition, a set of social obligations and proportionalities to be observed and maintained to ensure the smooth reproduction of social total capital and society *per se*. But there is no way to impel a capital from an advanced country to take such obligations, not least when this capital operates to produce a commodity for foreign markets of the advanced world. Indeed, such a capital *is* an alien power, and the labourers of the host country are regarded only as a 'factor of production' and, as such, no better than natural resources with a certain amount of productive capacity. Consequently, whilst the part of the profit coming from the extra utility of labour is transformed into a rent equivalent, an illusion grows that a large sum of profit comes from the ability of capital to secure such productive capacities, that is, the ability to choose the best and cheapest option amongst the varying combinations that increase its rate of profit beyond the national limitations. Of course, in this case, too, all the profit capital gets originates from the surplus labour it exploits in the process of production.

Thirdly, in the international movement of money capital, the fetish character taken by the movement of money capital in general develops even further. Basically, since in this movement the process of valorisation of capital is completely concealed, the capital fetishism acquires its most developed form. Its mystified form, $M—M'$, is in fact:

$$M \rightarrow \{M \rightarrow C(MP, LP) \dots P \dots C_2 \rightarrow M_2\} \rightarrow M'.$$

What complication arises when monetary loans are made internationally? The basic form is maintained, but since a variety of different interest rates will prevail in the world market, the ultimate amount of interest will also vary:¹⁴⁸

$$M \rightarrow \{M \rightarrow C(MP, LP) \dots P \dots C_3 \rightarrow M_3\} \rightarrow M''.$$

What is crucial here is that the money owner can now compare the two cases. Of course, he will ‘invest’ his money wherever he can expect the maximum amount of interest and, *ceteris paribus*, higher interest rate will yield more interest. Thus, we have an additional illusion about surplus value — that interest, itself a form taken by surplus value, arises from the national difference between national rates of interest.

(c) Now, let us pay more attention to combining our discussion above with that of *Capital*. According to Marx in the last volume of *Capital*, the revenues of the propertied classes who are not directly involved in production are no more than distributed parts of the surplus value which the capitalist class exploits in the process of production. However, ‘vulgar’ political economy claims that the revenues of the social classes including the capitalist and the labourer are the just rewards for their participation in and contribution, direct or indirect, to the production of value. This is the *ultimate illusion* reached by ‘bourgeois’ political economy under the ‘one-national-economy’ assumption, and all the erroneous propositions depend upon this illusion.¹⁴⁹

¹⁴⁸ We disregard the variation of the rate of exchange over time, and assume for simplicity it remain constant.

¹⁴⁹ ‘Vulgar economy actually does no more than interpret, systematise and defend in doctrinaire fashion the conception of the agents of bourgeois production who are entrapped in bourgeois production relations. It should not astonish us, then, that vulgar economy feels particularly at home in the estranged outward appearances of economic relations in which these *prima facie* absurd and perfect contradictions appear and that these relations seem the more self-evident the more their internal relationships are concealed from it, although they are understandable to the popular mind’ (CW37: 804).

In capital — profit, or still better capital — interest, land — rent, labour — wage, in this economic trinity represented as the connection between the component parts of value and wealth in general and its sources, we have the complete mystification of the capitalist mode of production, the conversion of social relations into things, the direct coalescence of the material production relations with their historical and social determination. It is an enchanted, perverted, topsy-turvy world . . . (CW37: 817)

How, then, does this prime illusion at the level of a national society develop if the ‘one-national-economy’ assumption is loosened? This is our ultimate question, the outline of whose answer we have already sketched. In the world market, we have already pointed out, the national economy comes to the fore as the basic unit constituting the (world) economy, and such an appearance makes the starting point of mainstream theories of IERs. This sudden rise of the national economy without the set of necessary mediations — itself, an important character of the Ricardian framework — in effect nullifies the analysis so far carried out based upon the class as the basic analytical unit, and consolidates the bourgeois illusions which are summarised in the ‘trinity formula’ *as firmly established presuppositions*. Consequently, the properties of the main classes in the capitalist economy, capital, labour and land, are also established as ‘factors of production’ with each playing a rather substitutable role. At first, this ‘reification of the relations of production’ (CW37: 818) only happens in the consciousness of the agents of production, but we have confirmed in the previous subsection that it becomes reality at least in the world market. Therefore,

in competition on the world-market it is solely a question of whether commodities can be sold advantageously with existing wages, interest and rent at, or below, existing general market-prices, i.e., realising a corresponding profit of enterprise. If wages and the price of land are low in one country, while interest on capital is high, because the capitalist mode of production has not been developed generally, whereas in another country wages and the price of land are nominally high, while interest on capital is low, then the capitalist employs more labour and land in the one country, and in the other relatively more capital. These factors enter into calculation as determining elements in so far as competition between these two capitalists is possible. Here, then, experience shows theoretically, and the self-interested calculation of the capitalist shows practically, that the prices of commodities are determined by wages, interest and rent, by the price of labour, capital and land, and that these elements of price are indeed the regulating constituent factors of price. (CW37: 861)

In this world market, the national social illusion laid out in *Capital* is transformed into the new illusion, ‘*national income according to national productivity*’. Any condition that affects national productivity is deemed to have value creating power. In any case, however, all the incomes and revenues in the capitalist economy can be correctly understood based upon the exploitation relation between capital and labour, and our analysis in the previous subsection (§ 6.2.2) offers a brief account.

6.2.4. Concluding Remarks

So far, we have attempted to outline a theory of IERs as an *extension* of Marx’s value theory in his *Capital*. Extra care has been taken to maintain his critical perspective on conventional political economy. Since for Marx the capitalist economic processes do not reflect their corresponding real human relations lucidly, it is crucial to track down how such relations are distorted in a series of economic processes of production, exchange, distribution and consumption. In other words, his main critique in *Capital* is that political economy is composed based upon the distorted appearance of the capitalist economy.

The reason why this is very important in understanding Marx’s value theory is, as argued in **Chapter 5** (esp. § 5.1.3), because its content, task, and process, that is, its analytical aspects, are largely determined by the critical points he wanted to address against conventional political economy. Marx was especially interested in developing his observation that the various revenues seen on the surface of the capitalist economy to be acquired by the main classes of the capitalist, the labourer and the landowner are fundamentally rooted in the exploitative relationship between the capitalist and the labourer in the sphere of immediate material production.

It is this character of Marx’s theory that many of the former attempts at composing a Marxist theory of IERs, especially those proposed after WWII, have largely failed to appreciate in spite of the high analytical precision they have achieved. Indeed, there are instances in which Marx’s central instruments such as the reproduction scheme and the mechanism of the formation of the price of production are extensively employed and developed. But even though these offer a good exercise on those

concepts, they do not seem to recognise the theoretical task described above. Rather, dividing the national economies in the world into two (or three) groups according to their economic and political power, they tend to assume that two representative nations from different groups exchange the commodities they (are forced to) specialise with each other. In this respect, those theorists as diverse as Andre Gunder Frank (1971), Immanuel Wallerstein (1979), Ernest Mandel (1972), Samir Amin (1973; 1977) and Arghiri Emmanuel (1969) are not very different. Whilst it was criticised earlier in § 6.1.3 that their way of conceptualising the world economy is the Ricardian framework, they indeed have been instrumental in illuminating what structural outcomes are produced by the development of capitalism as a world economy. However, this merit also exposes them to the common criticism that these approaches are too rigid or deterministic that they are impotent in addressing the recent developments in the world economy such as the rise of the East Asian NICs and China.

On the other hand, there have been other instances that bear more similarity with our approach. Christian Palloix (1975) tried to conceptualise the international movement of capital by means of developing the general formula of capital circuits. But his theoretical focus was different from ours. He primarily used different forms of internationalisation to periodise capitalism, emphasising the role of the state in that process. Also, there was a set of debate in Germany which came to be called the ‘German world market debate in the 1970s’ (Nachtwey and ten Brink 2008; Holloway and Picciotto 1978). The participants in this debate seemed to be aware that developing the category of the world market was an important moment of the extension of Marx’s value theory. Especially, Claudia von Braunmühl rightly thought ‘national economy can only adequately be understood as a particular instance turning more or less upon its inner configuration, but which, nevertheless, is an integral element of the world market’ (von Braunmühl 1978: 162). But the German scholars appear to have been too conscious of the *logical derivation* of the new concepts from the more elementary ones without producing any definitive conclusions. One result is that von Braunmühl rejected the idea that the law of value might be modified (Nachtwey and ten Brink 2008: 49).

In concluding this section, it is worth noting that, as our focus of observation moves to the more superficial spheres with the introduction of the world market category, that is, as we move farther from the fundamental sphere of exploitation, fetishism advances more and more, and the significance of economic categories is often obfuscated. In this section, we employed Marx's argument that the productivity of labour and its intensity is not distinguished from each other in the world market. While labour productivity and labour intensity are two distinct moments which constitute productive power in general, the world market lacks in the historical, social and institutional foundations which make such a delicate understanding possible. It is in the same vein that we insisted in § 6.2.2 that labour should appear productive power in general to an internationalising capital over the world market.

Consequently, we resorted to the category, rent (DRI), to explain the huge extra profit acquired by the capital that transplants its productive bases to where cheaper and, therefore, more productive labour is available. This has its own merit, but is also flawed, not least because we have not examined the development, or modification, of the rent category itself. Indeed, the significance of landed property is much greater in the world market, and especially today when access to various natural resources is crucial in economic development. This does indicate the direction for future research.

Lastly, there is an issue of migration. Throughout this chapter, we have assumed mobile capital and static labour. But labour also moves, and the role for migration in the contemporary world economy is huge, both accelerating and delaying the economic development for particular regions. Further, the economic significance of the remittances as an immediate outcome of migration cannot be ignored in the analysis of the world economy today. Whilst we have limited our analysis with the intention of establishing more developed forms of the most fundamental aspects of the capitalist economy, there are a lot more to consider to produce a self-contained theory of the world market.

6.3. CONCLUSION OF PART II

Part II ('The World Market in Value Theory') of this thesis has been aimed at presenting a possible realisation of Marx's unfinished plan of including in his mature value theory the world market as a constituent category of the capitalist economy. In this **Part**, we have endeavoured on three points. First, we tried to explain the meaning of Marx's critique as clearly as possible in **Chapter 5**. Against some interpretations, we emphasised Marx's critique is a positive as well as negative project. Moreover, his critical problematisation against existing political economy directs the way of his analytical strategy of composing his own political economy. Second, this is why we devoted a section (§ 6.1) to investigating how conventional economics has dealt with IERs. In our language, those economists from mercantile to neoclassical, standing in the 'Ricardian framework', have sought to prove the existence of the 'gains from trade'.

Lastly, in § 6.2, we introduced the category of the world market positively, and outlined a Marxist theory of IERs based upon his value theory. Here, we emphasised that this was not an application of what he had already presented in *Capital*, but an *extension* of his categories over the new, more concrete, theoretical field occasioned by the introduction of the new category. Our focus here was to maintain both Marx's analytical and critical bearings, together with their relationship. At least, this has the merit of rectifying the general tendency in the existing (quasi-) Marxist theories on IERs to lean towards the analytical aspect only; there is the danger of becoming a positive 'explanation' devoid of the critical essence.

Admittedly, whilst our discussion may be virtuous, in its own right, in that it develops the critical side of a value theoretic approach to IERs, it is far from being a comprehensive account of the dynamics of capitalism at the world level. It goes without saying that there is a set of categories to be untangled concerning the world market itself, and dealing with them also involves some historical considerations. There are others, without which our understanding of capitalist IERs is severely limited even if they are not immediately related to the world market. Amongst others, it is crucial to take into account the economic role played by the state, and credit.

As for the state, its economic presence has been strongly recognised only after the ‘Keynesian Revolution’ in the 20th century. But, in retrospect, it is also possible to conceptualise the contemporary ‘active state’ and its functions at the level of the capitalist state in general, without assuming any consecutive development of state forms. This is what was attempted at (unsuccessfully) in the so-called ‘state derivation’ debate in Germany in 1960s and 1970s, and Adam Smith did present a well thought out outline of the modern state in his *Wealth of Nations* as early as 1776 which is far from the mythical ‘night-watchman state’. Marx did also have an idea of the state, how to deal with it, in his critical project.¹⁵⁰ Indeed, whilst we have so far argued to the effect that national aggregations tend to distort the fundamental economic processes which are played out by classes, the state is indeed an important economic mediator in the world market as well as in the national economic formation. According to Marx, the state was instrumental in forming the initial conditions for capital accumulation, and he listed the ‘bloody legislation’ from the 15th century onward, colonial system, public credit and national debts, commercial wars, protection, and heavy taxes as main instances of primitive accumulation (CW35: Part VIII). Then, the state itself is, like the world market, at once a presupposition for, and a result of capitalist development.

Credit also played an essential role in the establishment of the capitalist system, mainly by facilitating large investments in social infrastructure. So, its significance should be felt most deeply at the world level; this is why Marx often mentioned the world market and credit together when he revealed his intention of writing a sequel to *Capital*. Moreover, today’s ‘financialised’ world economy has seen a variety of financial instruments used in all the spheres of economic processes—not just production, but also exchange, distribution and consumption, and their function is not limited to mediating economic activities any more. In this situation, it is not surprising that IERs themselves are financialised, and the state is amongst the biggest actors in

¹⁵⁰ In a version of his ‘Plan’, he says: ‘Then the *State*. (State and bourgeois society.—Taxation, or the existence of the unproductive classes.—The national debt.—Population.—The State in its external relations: Colonies. Foreign trade. Rate of exchange. Money as international coin.—Finally the world market. Encroachment of bourgeois society on the State. Crises’ (CW28: 195). This also presents some themes for us to deal with, in the future.

world financial markets. This, again, indicates the need to take the state and credit/finance into consideration to improve what we have outlined in this chapter.

CHAPTER SEVEN

CONCLUSIONS AND SUGGESTIONS

The research which has eventually prompted this thesis was first motivated by this simple question: what was Karl Marx's real thought on the 'world'? Of course, it was when the 'globalisation' debate was still very hot, and many participants were talking about as many Marxes. But, as we have seen in this thesis, his thought on the world was never fixed, but changed and evolved as he engaged himself with broader and more varied intellectual contexts. Consequently, he did make some original achievements as for the way of thinking about the world.

As he was seeking for the real and the material in social processes, it did not take long for him to realise the significance of emerging capitalism as a worldwide system of production. Hence, the 'world market' instead of the 'world'. However, it took him a lot of time to realise that it was necessary to study political economy to deal with the world market properly, and even more time to come up with any original idea concerning this theme. In the end, he did not have a chance to express a full account of his thought on the world market, or, more generally, the globality of capitalism in his life and, consequently left a rather awkward theoretical mission for us. This thesis took this task, but what we have produced here is only a partial and tentative conclusion.

At any rate, the outline of Marx's value theory extended to have the world market as its normal category is not merely a conclusion of this thesis; it is also one of the potential outcomes of his lifelong intellectual journey. But as emphasised in § 6.2.4 and § 6.3 repeatedly, that outline is never complete. If only to be a 'general theory' of capitalist IERs, it should be supplemented with the discussion of the rate of exchange between national currencies, finance, the state, migration and remittances, natural resources, etc. Thereby, the thus composed theory of the world market — more generally, of IERs — should be able to address differing aspects of the world economy critically. Indeed, it would be possible to take issue with the common motto of the contemporary governments, 'let's enhance our national productivity', with what we discussed in Chapter 6. However, our analysis needs to be much more comprehensive to be able to occasion any dialectical understanding, for instance, of

the international development policies run by the International Monetary Fund, the World Bank or the OECD.

Second, if **Chapter 6** is a (tentative) conclusion of Marx's theory of the world market in terms of his mature value theory, it appears strikingly at odds with his early thought on the theme as reported in many places of **Part I** of this thesis. At that time, he used to look at the rise of the world market quite positively, and even had a bit of 'wishful' expectation that it could be a great momentum for human emancipation. On the contrary, the world market as conceptualised in **Chapter 6** appears to be a field where the binding power of the social foundations of economic categories become weaker, distinct categories are conflated, and fetishism advances even further. Consequently, human beings as wage labourers are degraded as a mere element which constitutes the 'alien' power of productivity for capital. To generalise, it is one of our future task to develop the declining power of the social foundations in the world market. The joint-stock company is one such example. It is well known that Marx hailed this form of organisation as 'the abolition of capital as private property within the framework of the capitalist mode of production itself':

Formation of stock companies. Thereby: . . . The capital, which in itself rests on a social mode of production and presupposes a social concentration of means of production and labour power, is here directly endowed with the form of social capital (capital of directly associated individuals) as distinct from private capital, and its undertakings assume the form of social undertakings as distinct from private undertakings. It is the abolition of capital as private property within the framework of the capitalist mode of production itself. (CW37: 434)

Here, Marx opposes 'social capital' to 'private capital', and regards them as contradicting with each other. Of course, this juxtaposition is meaningful since there has been the social and historical background that makes such a contradiction working, which is why the joint-stock company was regarded as a special variant within West European context. However, as capitalism established itself in new territories, such new and contradicting forms were simply transplanted forcibly and, consequently, the joint-stock company has been established as the *normal* form of the organisation of capital in South Korea, for example. There is no social foundation whatsoever. This is a peculiar way of the reproduction of capitalism as a world economy.

Third, the social and historical significance of economic categories are not just diluted; on the contrary, it sometimes presents itself most strongly at the level of the world market. This is why Marx included ‘the modern theory of colonisation’ as the concluding chapter in his *Capital*. Observe that this is not considered as an instance of ‘primitive accumulation’ even though this chapter is located under the heading of ‘Part VIII. The So-Called Primitive Accumulation’, which is obvious in the German editions.¹⁵¹ Anyway, there can be no doubt over the fact that Marx did consider the so-called primitive accumulation as an essential part of his theory of capital accumulation. But, unlike exploitation, or the production of absolute/relative surplus value, it does not take place in the current process of accumulation, and cannot be observed in reality; it belongs to the past, and cannot be experienced again at least in those ‘advanced’ countries where capitalism is already firmly rooted. Things are different in colonies, though.

However, we are not concerned here with the condition of the colonies. The only thing that interests us is the secret discovered in the new world by the political economy of the old world, and proclaimed on the house-tops: that the capitalist mode of production and accumulation, and therefore capitalist private property, have for their fundamental condition the annihilation of self-earned private property; in other words, the expropriation of the labourer. (CW35: 760-01)

In the end, the reproduction of capitalism at the world level is a useful reminder of what capitalism is, and has been. This is crucial since Marx’s value theory take the historical character of economic categories seriously, but since there is also the ‘dilution’ tendency at the world level.

¹⁵¹ Compare (i) the French and the English editions

Part VII. The General Law of Capitalist Accumulation

Part VIII. The So-Called Primitive Accumulation

Chapters 26-32.

Chapter 33. The Modern Theory of Colonisation

with (ii) the German fourth edition

Part VII. The Accumulation of Capital

Chapters 21-23.

Chapter 24. The So-Called Primitive Accumulation

Chapter 25. The Modern Theory of Colonisation.

On top of that, it is worth reconsidering here the multidimensionality of Marx's critique with which we dealt in **Chapter 5**. Value theory is, in the end, a *logical* construct of the capitalist world economy and, as such, it does have its own limits. Analytically, so, there is emptiness in it which cannot be filled with more logic; on the other hand, the early Marx would have tried to fill the emptiness with the class struggle and human collective practice.

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